



Laingsburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

These Annual Financial Statements have not been audited.

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	M Gouws
Deputy Executive Mayor	I Brown
Speaker	RM Louw
Councillors	M Daniels L Potgieter Theron W du P BJ van As
Grading of local authority	Grade 1
Accounting Officer	J Booysen (Appointed 18 May 2020) J Komanisi (Acting Municipal Manager) PA Williams (Resigned 31 December 2019)
Chief Finance Officer (CFO)	A Groenewald
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank (Primary Bank Account) Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Wilna Roux

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of Internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5

The annual financial statements set out on pages 7 to 107, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:



Mr. J Booysen
Municipal Manager

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in the main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality, including the following; housing services - supply housing to the community and includes the rental of units owned by the municipality to public and staff; waste management services - the collection, disposal and purifying of waste, refuse and sewerage; electricity services - electricity is bought in bulk from eskom and distributed to the consumers by the municipality; and water services - supplying water to the public and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 2 397 830 (2019: surplus R 8 327 122).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 164 407 820 and that the municipality's current liabilities exceed its current assets by R 17 280 881.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality through the provision of equitable share, and additionally the accounting officer will continue to tightly manage the cashflow of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year:

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

8. Bankers

The municipality's bankers during the year was ABSA Bank and Standard Bank and did not change from the previous year.

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Accounting Officer's Report

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

10. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability arising from the post-retirement healthcare subsidy payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Non-Current Assets			
Investment property	3	22 781 494	22 845 671
Property, plant and equipment	4	162 931 603	161 395 384
Intangible assets	5	286 250	370 105
Heritage assets	6	43 354	43 354
		186 042 701	184 654 514
Current Assets			
Inventory	7	640 722	980 439
Current portion of long term receivables from exchange transactions	8	1 342	396
Receivables from exchange transactions	9	3 560 304	2 659 329
Receivables from non-exchange transactions	10	7 298 227	7 794 265
VAT receivable	11	2 488 557	3 061 827
Cash and cash equivalents	12	12 091 897	6 551 627
		26 081 049	21 047 883
Total Assets		212 123 750	205 702 397
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	16	4 354 000	4 431 428
Finance lease obligation	17	-	6 225
		4 354 000	4 437 653
Current Liabilities			
Employee benefit obligation	16	407 000	460 337
Finance lease obligation	17	6 225	16 973
Unspent conditional grants and receipts	18	11 885 386	4 098 362
Provisions	19	22 855 524	21 723 474
Payables from exchange transactions	20	7 492 971	7 485 932
Consumer deposits	21	714 824	674 022
		43 361 930	34 459 100
Total Liabilities		47 715 930	38 896 753
Net Assets		164 407 820	166 805 644
Accumulated surplus		164 407 820	166 805 644

* See Note 55

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Statement of Financial Performance

		2020	2019
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Sale of goods		151 658	208 323
Service charges	23	18 835 727	17 139 760
Rental of facilities and equipment	24	1 482 438	1 353 366
Interest earned - exchange transactions		343 237	282 207
Agency services	26	132 227	150 848
Licences and permits	27	513 151	226 195
Operational revenue	29	82 288	57 375
Interest earned - bank accounts and external investments	30	516 981	785 221
Gains on disposal of assets	46	54 636	-
Fair value adjustments	47	1 083 870	-
Total revenue from exchange transactions		23 196 213	20 203 295
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	4 173 684	3 910 434
Interest earned - non-exchange transactions	31	136 696	79 580
Actuarial gain		702 456	74 114
Interest earned - current assets	28	81 940	70 566
Transfer revenue			
Fines, penalties and forfeits	25	30 177 348	33 342 121
Government grants and subsidies	32	30 426 315	40 691 618
Total revenue from non-exchange transactions		65 698 439	78 168 433
Total revenue	22	88 894 652	98 371 728
Expenditure			
Employee related costs	33	(25 549 508)	(22 931 009)
Remuneration of councillors	34	(3 129 153)	(3 028 745)
Inventory consumed	35	(2 085 943)	(2 266 844)
Depreciation and amortisation	36	(5 951 306)	(6 160 340)
Impairment loss / Reversal of impairments	37	-	(30 294)
Finance costs	38	(2 356 772)	(2 069 626)
Lease rentals on operating lease	39	(460 504)	(319 837)
Debt Impairment	40	(27 297 292)	(25 588 772)
Bad debts written off		-	(26 258)
Bulk purchases	41	(9 888 165)	(7 872 282)
Contracted services	42	(5 445 073)	(8 790 606)
Transfers and subsidies	43	(455 034)	(842 493)
Loss on disposal of assets	44	(8 079)	(73 370)
Operational cost	45	(8 665 653)	(10 044 130)
Total expenditure		(91 292 482)	(90 044 606)
(Deficit) surplus for the year		(2 397 830)	8 327 122

* See Note 55

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Statement of Changes in Net Assets

	Capital replacement reserve R	Capitalisation reserve R	Government grant reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 844 479	1 680 451	32 994 672	36 519 602	140 085 236	176 604 838
Adjustments						
Prior year adjustments	-	-	-	-	(18 126 316)	(18 126 316)
Balance at 01 July 2018 as restated*	1 844 479	1 680 451	32 994 672	36 519 602	121 958 920	158 478 522
Changes in net assets						
Surplus for the year	-	-	-	-	8 327 122	8 327 122
Transfer to accumulated surplus	(1 844 479)	(1 680 451)	(32 994 672)	(36 519 602)	36 519 602	-
Total changes	(1 844 479)	(1 680 451)	(32 994 672)	(36 519 602)	44 846 724	8 327 122
Restated* Balance at 01 July 2019	-	-	-	-	166 805 650	166 805 650
Changes in net assets						
Surplus for the year	-	-	-	-	(2 397 830)	(2 397 830)
Total changes	-	-	-	-	(2 397 830)	(2 397 830)
Balance at 30 June 2020	-	-	-	-	164 407 820	164 407 820

* See Note 55

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Cash Flow Statement

	Note(s)	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Taxation		3 548 696	5 073 483
Sale of goods and services		17 488 468	27 692 849
Grants		39 958 469	34 400 268
Interest income		598 921	785 221
Other receipts		7 288 117	-
		<u>68 882 671</u>	<u>67 951 821</u>
Payments			
Employee costs		(28 288 829)	(25 312 465)
Suppliers		(27 695 035)	(32 396 251)
Finance costs		(89 432)	(85 523)
		<u>(56 073 296)</u>	<u>(57 794 239)</u>
Net cash flows from operating activities	49	<u>12 809 375</u>	<u>10 157 582</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(7 347 571)	(13 776 514)
Purchase of other intangible assets	5	-	(11 458)
Proceeds on disposal of fixed assets		54 636	-
Decrease/(increase) in non-current receivables		-	1 708
Net cash flows from investing activities		<u>(7 292 935)</u>	<u>(13 786 264)</u>
Cash flows from financing activities			
Finance lease payments		(16 972)	(66 588)
(Decrease)/increase in consumer deposits		40 802	76 969
Net cash flows from financing activities		<u>23 830</u>	<u>10 381</u>
Net increase/(decrease) in cash and cash equivalents		5 540 270	(3 618 301)
Cash and cash equivalents at the beginning of the year		6 551 627	10 169 928
Cash and cash equivalents at the end of the year	12	<u>12 091 897</u>	<u>6 551 627</u>

* See Note 55

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	135 700	55 100	190 800	151 658	(39 142)	Note 66
Service charges	20 952 500	(308 700)	20 643 800	18 835 727	(1 808 073)	Less than 10%
Rental of facilities and equipment	725 100	729 800	1 454 900	1 482 438	27 538	Less than 10%
Interest earned - exchange transactions	39 500	469 000	508 500	343 237	(165 263)	Note 66
Agency services	121 800	35 000	156 800	132 227	(24 573)	Note 66
Licences and permits	1 066 600	(192 000)	874 600	513 151	(361 449)	Note 66
Other revenue	10 100	-	10 100	82 288	72 188	Note 66
Interest, dividend and rent on land	-	1 300	1 300	-	(1 300)	Insignificant
Interest earned - external investments and bank accounts	812 000	28 700	840 700	516 981	(323 719)	Note 66
Total revenue from exchange transactions	23 863 300	818 200	24 681 500	22 057 707	(2 623 793)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4 272 800	(156 880)	4 115 920	4 173 684	57 764	Less than 10%
Interest earned - non-exchange transactions	383 400	(180 000)	203 400	136 696	(66 704)	Note 66
Actuarial gains	-	-	-	702 456	702 456	Note 66
Interest earned - current assets	-	-	-	81 940	81 940	
Transfer revenue						
Government grants & subsidies	22 612 250	4 952 846	27 565 096	25 278 251	(2 286 845)	Note 66
Fines, Penalties and Forfeits	31 774 600	(2 038 400)	29 736 200	30 177 348	441 148	Less than 10%
Total revenue from non-exchange transactions	59 043 050	2 577 566	61 620 616	60 550 375	(1 070 241)	
Total revenue	82 906 350	3 395 766	86 302 116	82 608 082	(3 694 034)	
Expenditure						
Employee related costs	(26 868 700)	(38 430)	(26 907 130)	(25 549 508)	1 357 622	Less than 10%
Remuneration of councillors	(3 128 300)	-	(3 128 300)	(3 129 153)	(853)	Less than 10%
Inventory consumed	(890 200)	(1 104 840)	(1 995 040)	(2 085 943)	(90 903)	Less than 10%
Depreciation and amortisation	(9 732 375)	(67 960)	(9 800 335)	(5 951 306)	3 849 029	Note 66
Finance costs	(6 700)	-	(6 700)	(2 356 772)	(2 350 072)	Note 66
Lease rentals on operating lease	(258 400)	(46 100)	(304 500)	(460 504)	(156 004)	Note 66
Debt Impairment	(26 442 400)	1 050 800	(25 391 600)	(27 297 292)	(1 905 692)	Less than 10%
Bulk purchases	(7 923 300)	(460 000)	(8 383 300)	(9 888 165)	(1 504 865)	Note 66
Contracted Services	(6 320 500)	(1 217 228)	(7 537 728)	(5 445 073)	2 092 655	Note 66
Transfers and Subsidies	(740 200)	471 900	(268 300)	(455 034)	(186 734)	Note 66
Operational cost	(11 741 300)	(1 935 290)	(13 676 590)	(8 665 653)	5 010 937	Note 66
Total expenditure	(94 052 375)	(3 347 148)	(97 399 523)	(91 284 403)	6 115 120	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Operating deficit	(11 146 025)	48 618	(11 097 407)	(8 676 321)	2 421 086	
Loss on disposal of assets and liabilities	-	-	-	(8 079)	(8 079)	Note 66
Transfers and subsidies - capital	11 723 350	2 419 354	14 142 704	5 148 064	(8 994 640)	Note 66
Fair value adjustments	-	-	-	1 083 870	1 083 870	Note 66
Gain on biological assets and agricultural produce	-	-	-	54 636	54 636	Insignificant
	11 723 350	2 419 354	14 142 704	6 278 491	(7 864 213)	
Deficit before taxation	577 325	2 467 972	3 045 297	(2 397 830)	(5 443 127)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	577 325	2 467 972	3 045 297	(2 397 830)	(5 443 127)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventory	915 448	44 623	960 071	640 722	(319 349)	Note 66
Current portion of long term receivables from exchange transactions	1 010	(614)	396	1 342	946	Insignificant
Receivables from exchange transactions	4 822 834	(1 104 709)	3 718 125	3 560 304	(157 821)	Less than 10%
Receivables from non-exchange transactions	9 103 248	(2 691 291)	6 411 957	7 298 227	886 270	Note 66
VAT receivable	3 914 615	-	3 914 615	2 488 557	(1 426 058)	Note 66
Call investment deposits	1 537 501	(1 537 501)	-	-	-	
Cash and cash equivalents	2 097 372	5 372 114	7 469 486	12 091 897	4 622 411	Note 66
	22 392 028	82 622	22 474 650	26 081 049	3 606 399	
Non-Current Assets						
Investment property	24 803 771	(122 479)	24 681 292	22 781 494	(1 899 798)	Less than 10%
Property, plant and equipment	172 956 706	(728 681)	172 228 025	162 931 603	(9 296 422)	Less than 10%
Intangible assets	25 309	229 621	254 930	286 250	31 320	Note 66
Heritage assets	43 354	-	43 354	43 354	-	
	197 829 140	(621 539)	197 207 601	186 042 701	(11 164 900)	
Total Assets	220 221 168	(538 917)	219 682 251	212 123 750	(7 558 501)	
Liabilities						
Current Liabilities						
Finance lease obligation	6 225	10 748	16 973	6 225	(10 748)	Note 66
Payables from exchange transactions	9 088 737	(1 885 450)	7 203 287	7 492 971	289 684	Less than 10%
Consumer deposits	657 521	63 682	721 203	714 824	(6 379)	Less than 10%
Employee benefit obligation	363 044	129 517	492 561	407 000	(85 561)	Note 66
Unspent conditional grants and receipts	-	3 788 052	3 788 052	11 885 386	8 097 334	Note 66
Provisions	1 006 244	1 469 962	2 476 206	22 855 524	20 379 318	Note 66
	11 121 771	3 576 511	14 698 282	43 361 930	28 663 648	
Non-Current Liabilities						
Finance lease obligation	-	6 225	6 225	-	(6 225)	Insignificant
Employee benefit obligation	4 644 913	582 426	5 227 339	4 354 000	(873 339)	Note 66
Provisions	7 751 611	3 003 935	10 755 546	-	(10 755 546)	Note 66
	12 396 524	3 592 586	15 989 110	4 354 000	(11 635 110)	
Total Liabilities	23 518 295	7 169 097	30 687 392	47 715 930	17 028 538	
Net Assets	196 702 873	(7 708 014)	188 994 859	164 407 820	(24 587 039)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Donations and public contributions reserve	32 994 672	(32 994 672)	-	-	-	
Accumulated surplus	163 708 201	25 286 658	188 994 859	164 407 820	(24 587 039)	Note 66
Total Net Assets	196 702 873	(7 708 014)	188 994 859	164 407 820	(24 587 039)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	3 845 520	64 604	3 910 124	3 548 696	(361 428)	Less than 10%
Service charges	19 696 293	119 362	19 815 655	17 488 467	(2 327 188)	Note 66
Government - operating	22 612 250	4 952 846	27 565 096	30 894 469	3 329 373	Note 66
Government - capital	11 723 350	2 419 354	14 142 704	9 064 000	(5 078 704)	Note 66
Interest income	1 195 272	311 021	1 506 293	598 921	(907 372)	Note 66
Other receipts	8 262 984	229 026	8 492 010	7 288 119	(1 203 891)	Less than 10%
	67 335 669	8 096 213	75 431 882	68 882 672	(6 549 210)	
Payments						
Suppliers and employees	(56 185 230)	(3 902 656)	(60 087 886)	(55 528 830)	4 559 056	Less than 10%
Finance costs	(6 700)	-	(6 700)	(89 432)	(82 732)	Note 66
Transfers and grants	(740 200)	471 900	(268 300)	(455 033)	(186 733)	Note 66
	(56 932 130)	(3 430 756)	(60 362 886)	(56 073 295)	4 289 591	
Net cash flows from operating activities	10 403 539	4 665 457	15 068 996	12 809 377	(2 259 619)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(11 976 198)	(2 222 120)	(14 198 318)	(7 347 571)	6 850 747	Note 66
Proceeds from sale of property, plant and equipment	-	-	-	54 636	54 636	Insignificant
Net cash flows from investing activities	(11 976 198)	(2 222 120)	(14 198 318)	(7 292 935)	6 905 383	
Cash flows from financing activities						
Repayment of other financial liabilities	(16 972)	16 972	-	(16 972)	(16 972)	Note 66
Increase (decrease) in consumer deposits	34 446	12 735	47 181	40 802	(6 379)	Note 66
Net cash flows from financing activities	17 474	29 707	47 181	23 830	(23 351)	
Net increase/(decrease) in cash and cash equivalents	(1 555 185)	2 473 044	917 859	5 540 272	4 622 413	
Cash and cash equivalents at the beginning of the year	6 551 627	-	6 551 627	6 551 627	-	
Cash and cash equivalents at the end of the year	4 996 442	2 473 044	7 469 486	12 091 899	4 622 413	

Material differences between the final budget and actual amounts are deemed material if the % variance is more than 10%.

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the annual financial statements.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match estimated maturity of all benefit payments, the municipality uses current market rates of the appropriate term to discount over shorter term payments, and estimates the discount rate for maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment of financial assets

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the annual financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transact for the periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts is set out in note 52 of the annual financial statements.

Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principle amendments to matters disclosed in the current annual financial statements include errors.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Accounting Policies

1.5 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	20 - 30 years

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Property that is owner-occupied, for example, a building that is occupied by the entity for administrative purposes or to supply goods and services;
- Property, i.e. housing, rented to employees, regardless of whether the rent is market related or not; and
- Property held to provide a social service and which also generates cash inflows, for example, an entity rents out one of its properties (buildings) to other properties on an ad-hoc basis. The rental revenue received is incidental to the purpose for which the property is held; therefore it is treated as property, plant and equipment and not investment property.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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Accounting Policies

1.6 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100
Plant and machinery	Straight-line	3 - 33
Furniture and fixtures	Straight-line	1 - 40
General vehicles	Straight-line	6 - 39
Specialised vehicles	Straight-line	12
Computer hardware / equipment	Straight-line	5 - 24
Cemeteries	Straight-line	15 - 95
Sportfields and stadiums	Straight-line	15 - 95
Museums and art galleries	Straight-line	15 - 60
Halls	Straight-line	15 - 95
Libraries	Straight-line	30 - 95
Parks and gardens	Straight-line	20 - 50
Road transport	Straight-line	10 - 60
Electricity supply	Straight-line	45 - 60
Water supply	Straight-line	4 - 60
Sanitation and refuse	Straight-line	15 - 60
Other infrastructure	Straight-line	15 - 60

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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Accounting Policies

1.8 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life in years
Computer hardware / equipment	Straight-line	5 - 25

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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Accounting Policies

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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Accounting Policies

1.10 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.10 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and subsidies	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.10 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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1.10 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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1.11 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

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1.12 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is expected in the period in which they are incurred.

1.13 Inventory

Inventory are initially measured at cost except where inventory are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventory are measured at the lower of cost and net realisable value.

Inventory are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

The cost of inventory of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventory is assigned using the weighted average cost formula. The same cost formula is used for all inventory having a similar nature and use to the municipality.

When inventory are sold, the carrying amounts of those inventory are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventory to net realisable value or current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profit-orientated entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow:

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profitorientated identity and not held primarily for service delivery.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.14 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is developed in a manner consistent with that adopted by a profitorientated entity.

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follow.

Cash-generating assets are assets that are held with the primary objective of generating a commercial return. Assets will generate a commercial return when the municipality intends to generate positive cash flow from the assets similar to a profitorientated identity and not held primarily for service delivery.

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1.15 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.16 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the municipality treats such a plan as a defined contribution plan unless the municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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Accounting Policies

1.16 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.20 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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1.20 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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Accounting Policies

1.25 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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1.28 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus/(deficit) to the CRR. The cash funds in the CRR can only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.29 Revaluation reserve

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are debited / credited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are debited / credited against accumulated surplus when retrospective adjustments are made.

1.30 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statement of Comparison of Budget and Actual Amounts.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

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1.30 Budget information (continued)

Explanations for differences between the approved and final budget are included in the Notes to the Annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Annual Financial Statements.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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	2020 R	2019 R
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date:	Expected impact:
<ul style="list-style-type: none"> GRAP 104 (amended): Financial Instruments 	Unknown	No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.
<ul style="list-style-type: none"> IGRAP 20: Accounting for Adjustments to Revenue 	01 April 2020	No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.
<ul style="list-style-type: none"> GRAP 34: Separate Financial Statements 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 35: Consolidated Financial Statements 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 36: Investments in Associates and Joint Ventures 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 37: Joint Arrangements 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 38: Disclosure of Interests in Other Entities 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 110 (as amended 2016): Living and Non-living Resources 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.
<ul style="list-style-type: none"> GRAP 18 (as amended 2016): Segment Reporting 	01 April 2020	No significant impact expected as no such transactions or events are expected in the foreseeable future.

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Figures in Rand

3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	24 351 496	(1 570 002)	22 781 494	24 351 496	(1 505 825)	22 845 671

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	22 845 671	(64 177)	22 781 494

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	22 909 848	(64 177)	22 845 671

Pledged as security

None of the above Investment Properties have been pledged as security.

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	2020 R	2019 R
3. Investment property (continued)		
Details of property		
Land		
- Cost	17 557 146	17 557 146
Buildings		
- Cost	6 794 350	6 794 350
- Accumulated depreciation	(1 570 001)	(1 505 825)
	5 224 349	5 288 525
<p>A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.</p>		
Amounts recognised in surplus or deficit		
Rental revenue from Investment property	1 434 378	1 241 395

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 735 141	-	17 735 141	17 735 141	-	17 735 141
Buildings	10 218 821	(7 653 954)	2 564 867	10 089 021	(7 571 067)	2 517 954
Machinery and equipment	2 608 418	(1 502 241)	1 106 177	2 521 918	(1 407 900)	1 114 018
Furniture and office equipment	1 599 612	(961 879)	637 733	1 594 442	(884 680)	709 762
Transport assets	5 601 493	(2 669 237)	2 932 256	5 304 459	(2 386 565)	2 917 894
Computer equipment	536 281	(313 471)	222 810	523 250	(270 563)	252 687
Infrastructure	235 928 417	(107 298 735)	128 629 682	229 825 910	(103 151 154)	126 674 756
Community	21 622 857	(12 526 870)	9 095 987	21 550 905	(12 091 631)	9 459 274
Landfill site	17 673 488	(17 673 488)	-	17 673 488	(17 673 488)	-
Finance leases	61 898	(54 948)	6 950	61 898	(48 000)	13 898
Total	313 586 426	(150 654 823)	162 931 603	306 880 432	(145 485 048)	161 395 384

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Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	WIP	Depreciation	Total
Land	17 735 141	-	-	-	-	17 735 141
Buildings	2 517 954	-	-	129 800	(82 887)	2 564 867
Machinery and equipment	1 114 018	86 500	-	-	(94 341)	1 106 177
Furniture and office equipment	709 762	5 171	-	-	(77 200)	637 733
Transport assets	2 917 894	297 035	-	-	(282 673)	2 932 256
Computer equipment	252 687	13 031	-	-	(42 908)	222 810
Infrastructure	126 674 756	2 055 492	(8 079)	4 688 598	(4 781 085)	128 629 682
Community	9 459 274	-	-	71 952	(435 239)	9 095 987
Finance leases	13 898	-	-	-	(6 948)	6 950
	161 395 384	2 457 229	(8 079)	4 890 350	(5 803 281)	162 931 603

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	WIP	Change in estimate	Depreciation	Impairment loss	Total
Land	17 735 141	-	-	-	-	-	-	17 735 141
Buildings	2 600 841	-	-	-	-	(82 887)	-	2 517 954
Machinery and equipment	1 130 771	95 858	(14 325)	-	-	(98 184)	(102)	1 114 018
Furniture and office equipment	852 516	18 181	(45 690)	-	-	(112 895)	(2 350)	709 762
Transport assets	3 257 750	-	(1 024)	-	-	(313 241)	(25 591)	2 917 894
Computer equipment	284 222	34 694	(12 329)	-	-	(51 650)	(2 250)	252 687
Infrastructure	117 238 698	571 931	-	13 431 302	-	(4 567 175)	-	126 674 756
Community	9 897 072	-	-	-	-	(437 798)	-	9 459 274
Landfill Site	17 381 112	-	-	-	292 376	(17 673 488)	-	-
Finance leases	70 942	-	-	-	-	(57 044)	-	13 898
	170 449 065	720 664	(73 368)	13 431 302	292 376	(23 394 362)	(30 293)	161 395 384

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Notes to the Annual Financial Statements

	2020 R	2019 R
4. Property, plant and equipment (continued)		
Pledged as security		
None of the above Property, Plant and Equipment assets have been pledged as security:		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Electricity	9 410 430	9 054 858
Infrastructure - Sanitation	2 641 532	571 620
Infrastructure - Water	3 299 905	18 060 251
Land and buildings	129 800	-
	15 481 667	27 686 729
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
High Mast Lights	88 900	88 900
Contruction of Golderville pipelines	61 218	61 218
Bergsig Reservoir	40 292	40 292
Upgrading Water Supply Goldnerville, Elevated Tank, Pump Station and Fencing	1 041 450	1 041 450
	1 231 860	1 231 860

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Notes to the Annual Financial Statements

	2020 R	2019 R		
4. Property, plant and equipment (continued)				
Reconciliation of Work-in-Progress 2020				
	Included within Infrastructure	Included within Buildings	Included within Community assets	Total
Opening balance	27 686 730	-	-	27 686 730
Additions/capital expenditure	6 744 084	129 800	71 952	6 945 836
Transfer of completed projects	(18 254 648)	-	-	(18 254 648)
	16 176 166	129 800	71 952	16 377 918
Reconciliation of Work-in-Progress 2019				
			Included within Infrastructure	Total
Opening balance			15 973 495	15 973 495
Additions/capital expenditure			13 431 306	13 431 306
Transfer of completed assets			(1 718 071)	(1 718 071)
			27 686 730	27 686 730
Expenditure incurred to repair and maintain property, plant and equipment				
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Contracted services			890 643	1 873 607
Labour			55 664	32 916
Consumables			92 135	63 364
			1 038 442	1 969 887

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 697 511	(1 411 261)	286 250	1 697 511	(1 327 406)	370 105

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	370 105	(83 855)	286 250

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	441 564	11 458	(82 917)	370 105

Pledged as security

None of the above Intangible Assets have been pledged as security:

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	43 354	-	43 354	43 354	-	43 354

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	43 354	43 354

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	43 354	43 354

Pledged as security

None of the above heritage assets have been pledged as security:

7. Inventory

Consumables	474 541	818 426
Housing stock	8 103	8 103
Materials and supplies	127 740	130 218
Water for distribution	30 338	23 692
	640 722	980 439

Inventories recognised as an expense during the year	2 085 943	2 266 844
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Water for distribution

Opening balance	23 692	23 692
Water increases	6 646	-
Closing balance	30 338	23 692

8. Current portion of long term receivables from exchange transactions

Housing - Self build	12 492	10 427
Allowance for impairment	(11 150)	(10 031)
	1 342	396

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

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Notes to the Annual Financial Statements

	2020 R	2019 R
9. Receivables from exchange transactions		
Gross balances		
Electricity	1 858 062	1 466 302
Water	1 274 699	938 975
Sewerage	1 377 433	1 081 436
Refuse	802 582	573 671
Housing rental	1 229 023	842 776
	6 541 799	4 903 160
Less: Allowance for impairment		
Electricity	(445 414)	(435 105)
Water	(650 657)	(447 909)
Sewerage	(721 041)	(541 925)
Refuse	(306 331)	(188 168)
Housing rental	(858 052)	(630 724)
	(2 981 495)	(2 243 831)
Net balance		
Electricity	1 412 648	1 031 197
Water	624 042	491 066
Sewerage	656 392	539 511
Refuse	496 251	385 503
Housing rental	370 971	212 052
	3 560 304	2 659 329
Electricity		
Current (0 -30 days)	827 776	797 571
31 - 60 days	137 527	48 937
61 - 90 days	131 676	(72 069)
91 - 120 days	151 769	54 383
> 120 days	609 314	637 480
Less: Allowance for impairment	(445 414)	(435 105)
	1 412 648	1 031 197
Water		
Current (0 -30 days)	190 325	154 412
31 - 60 days	71 453	36 181
61 - 90 days	55 841	22 124
91 - 120 days	72 109	30 528
> 120 days	884 971	695 730
Less: Allowance for impairment	(650 657)	(447 909)
	624 042	491 066
Sewerage		
Current (0 -30 days)	193 887	159 992
31 - 60 days	70 981	28 285
61 - 90 days	57 523	21 449
91 - 120 days	72 331	38 514
> 120 days	982 711	833 196
Less: Allowance for impairment	(721 041)	(541 925)
	656 392	539 511

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	2020 R	2019 R
9. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	168 050	136 152
31 - 60 days	55 490	19 724
61 - 90 days	40 446	19 089
91 - 120 days	58 202	19 580
> 120 days	480 394	379 126
Less: Allowance for impairment	(306 331)	(188 168)
	496 251	385 503
Housing rental		
Current (0 -30 days)	107 937	53 188
31 - 60 days	46 705	20 683
61 - 90 days	43 798	16 605
91 - 120 days	51 028	21 025
> 120 days	979 555	731 275
Less: Allowance for impairment	(858 052)	(630 724)
	370 971	212 052

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
9. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Domesic		
Current (0 -30 days)	674 373	748 244
31 - 60 days	198 595	130 280
61 - 90 days	173 519	98 086
91 - 120 days	236 329	132 155
> 120 days	2 697 018	2 029 183
	<u>3 979 834</u>	<u>3 137 948</u>
Less: Allowance for impairment	(2 077 424)	(1 495 896)
	<u>1 902 410</u>	<u>1 642 052</u>
Industrial/ commercial		
Current (0 -30 days)	823 224	877 274
31 - 60 days	185 933	38 483
61 - 90 days	158 669	(66 737)
91 - 120 days	179 118	55 010
> 120 days	1 206 574	900 080
	<u>2 553 518</u>	<u>1 804 110</u>
Less: Allowance for impairment	(904 071)	(747 935)
	<u>1 649 447</u>	<u>1 056 175</u>
Total		
Current (0 -30 days)	1 497 596	1 301 315
31 - 60 days	384 528	141 693
61 - 90 days	332 188	(26 098)
91 - 120 days	415 448	152 453
> 120 days	3 912 039	3 333 797
	<u>6 541 799</u>	<u>4 903 160</u>
Less: Allowance for impairment	(2 981 495)	(2 243 831)
	<u>3 560 304</u>	<u>2 659 329</u>
Less: Allowance for impairment		
Current (0 -30 days)	(31 880)	(25 687)
31 - 60 days	(12 053)	(11 444)
61 - 90 days	(9 103)	(1 566)
91 - 120 days	(5 917)	(5 558)
> 120 days	(2 922 542)	(2 199 576)
	<u>(2 981 495)</u>	<u>(2 243 831)</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 243 831)	(2 326 836)
Contributions to allowance	(737 664)	(209 193)
Reversal of allowance	-	292 198
	<u>(2 981 495)</u>	<u>(2 243 831)</u>

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

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Notes to the Annual Financial Statements

	2020 R	2019 R
9. Receivables from exchange transactions (continued)		
Receivables from exchange transactions past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 1 372 121 (2019: R 3 316 540) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	334 389	168 763
2 months past due	289 484	31 349
3 months past due	748 248	3 116 428
	1 372 121	3 316 540
Receivables from exchange transactions impaired		
The amount of the provision was R 2 981 496 as of 30 June 2020 (2019: R 2 243 831).		
The ageing of these loans is as follows:		
0 to 3 months	54 776	38 694
3 to 6 months	32 882	18 021
Over 6 months	2 893 838	2 187 116
	2 981 496	2 243 831
10. Receivables from non-exchange transactions		
Fines	91 380 307	65 490 691
Assessment rates	2 782 333	2 020 649
Motor vehicle registrations	32 480	-
Other receivables	190 062	905 755
Sundry deposits	1 973 055	1 878 672
Allowance for impairment	(89 060 010)	(62 501 502)
	7 298 227	7 794 265

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Notes to the Annual Financial Statements

	2020 R	2019 R
10. Receivables from non-exchange transactions (continued)		
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from non-exchange transactions		
Assessment rates: Gross balance		
Current	1 094	16 892
31 - 60 days	69 943	27 412
61 - 90 days	47 740	22 977
91 - 120 days	45 957	28 242
> 120 days	2 472 597	1 925 126
	2 637 331	2 020 649
Assessment rates: Allowance for impairment		
Current	(12)	(667)
31 - 60 days	(9 545)	(8 724)
61 - 90 days	(7 392)	(9 672)
91 - 120 days	(7 491)	(18 362)
> 120 days	(2 537 809)	(1 826 318)
	(2 562 249)	(1 863 743)
Assessment rates: Net balance		
Current	1 082	16 225
31 - 60 days	60 398	18 688
61 - 90 days	40 348	13 305
91 - 120 days	38 465	9 880
> 120 days	79 790	108 656
	220 083	166 754
Fines		
Gross balance	91 380 307	65 490 691
Allowance for impairment	(86 383 267)	(60 529 997)
	4 997 040	4 960 694
Impairment of fines is based on a percentage of amounts that were recovered in the previous financial year in relation to the fines that were issued.		
Fines are written off after a 24 month period after summons was issued.		
Receivables from non-exchange transactions past due but not impaired		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 113 587 (2019: R 2 013 601) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	46 945	13 872
2 months past due	31 366	10 456
3 months past due	55 276	28 830
	133 587	53 158

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Notes to the Annual Financial Statements

	2020 R	2019 R
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10. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The amount of the provision was R 2 562 250 as of 30 June 2020 (2019: R 1 863 745).

The ageing of these loans is as follows:

0 to 3 months	28 028	19 064
3 to 6 months	32 503	35 372
Over 6 months	2 501 719	1 809 309
	2 562 250	1 863 745

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(62 501 502)	(36 833 193)
Reversal of impairment loss on assessment rates	(698 504)	912 724
Contribution to impairment - fines	(25 853 272)	(26 521 241)
Contribution to impairment - other receivables	(6 732)	(59 792)
	(89 060 010)	(62 501 502)

11. VAT receivable

VAT	2 488 557	3 061 827
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The municipality is registered for VAT on the payment basis.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 850	2 850
Bank balances	10 466 749	4 926 479
Short-term deposits	1 622 298	1 622 298
	12 091 897	6 551 627

The municipality still has an ABSA Sweeping Account, accounting number 4074336029, however the balance of this account as at 30 June 2020 and 30 June 2019 is nil.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank Current Account - 25040140874	7 654 877	3 979 589	8 621 784	10 479 009	4 926 479	8 549 854
ABSA Bank Call Account - 5064314329	425 410	406 074	386 002	-	-	386 002
Standard Bank Money Market Account - 2887048000	1 295 887	1 228 780	1 156 048	1 622 298	1 626 843	1 156 048
Standard Bank Current Account - 203247663000	2 775 842	1 001 779	80 523	-	-	80 523
Standard Bank Sweeping Account - 203247671000	-	-	(165)	-	(4 545)	(4 545)
Total	12 152 016	6 616 222	10 244 192	12 101 307	6 548 777	10 167 882

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Notes to the Annual Financial Statements

	2020 R	2019 R
13. Capital replacement reserve		
This reserve is a reserve to finance future capital and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.		
Opening balance	-	1 844 479
Transferred to accumulated surplus	-	(1 844 479)
	<u>-</u>	<u>-</u>

14. Donations and public contributions

This reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring-fenced financial instruments. The Donations and Public Contributions Reserve is included in accumulated surplus as required by GRAP 1.89.

Opening balance	-	32 994 672
Transferred to accumulated surplus	-	(32 994 672)
	<u>-</u>	<u>-</u>

15. Housing development fund

Loans extinguished by Government on 1 April 1998	-	1 680 451
Transferred to accumulated surplus	-	(1 680 451)
	<u>-</u>	<u>-</u>

The housing development fund is represented by the following assets and liabilities

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate inappropriate surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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	2020 R	2019 R
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16. Employee benefit obligations

Defined benefit plan

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

The plan is post employment medical aid benefit.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(3 360 000)	(3 626 158)
Long service awards	(1 401 000)	(1 265 607)
	(4 761 000)	(4 891 765)
Non-current liabilities	(4 354 000)	(4 431 428)
Current liabilities	(407 000)	(460 337)
	(4 761 000)	(4 891 765)

Changes in the present value of the Post Employment Medical Aid obligation are as follows:

Opening balance	3 626 158	3 408 535
Net expense recognised in the statement of financial performance	(266 158)	217 623
	3 360 000	3 626 158

Net expense recognised in the statement of financial performance: Post Employment Medical Aid

Current service cost	150 868	147 083
Interest cost	342 557	326 253
Actuarial (gains) losses	(671 501)	(185 266)
Benefits paid	(88 082)	(70 447)
	(266 158)	217 623

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	2020 R	2019 R
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16. Employee benefit obligations (continued)

Changes in the present value of the Long Service Awards obligation are as follows:

Opening balance	1 265 607	1 093 952
Net expense recognised in the statement of financial performance	135 393	171 655
	1 401 000	1 265 607

Net expense recognised in the statement of financial performance: Long Service Awards

Current service cost	106 937	85 064
Interest cost	100 934	88 886
Actuarial (gains) losses	(30 955)	111 152
Expected benefits vesting	(41 523)	(113 447)
	135 393	171 655

Key assumptions used

Assumptions used at the reporting date:

Discount rates used (PEMA)	10,67 %	9,58 %
Health care cost inflation rate	6,68 %	6,98 %
Net-of-health-care-cost-inflation discount rate	3,74 %	2,43 %
Maximum subsidy inflation rate	4,64 %	4,86 %
Net-of-maximum-subsidy-inflation discount rate	5,77 %	4,50 %
Discount rates used (LSA)	7,28 %	8,19 %
General earnings inflation rate (long-term)	3,92 %	5,58 %
Net effective discount rate	3,23 %	2,47 %

The next contribution rate increase is assumed to occur at 1 January 2021 (post retirement medical aid).

The earnings used in the valuation include an increase on 1 July 2020 of 6.25% (2019: 6.50%) as per the SALGBC Circular No.: 02/2020.

The next general earnings increase is assumed to take place on 1 July 2021 (long service awards).

Other assumptions

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	3 360 000	3 626 158	3 408 535	3 509 000	3 029 000

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	2020 R	2019 R
17. Finance lease obligation		
Minimum lease payments due		
- within one year	6 348	18 468
- in second to fifth year inclusive	-	6 348
	<u>6 348</u>	<u>24 816</u>
less: future finance charges	(123)	(1 618)
Present value of minimum lease payments	<u>6 225</u>	<u>23 198</u>
Present value of minimum lease payments due		
- within one year	6 225	16 973
- in second to fifth year inclusive	-	6 225
	<u>6 225</u>	<u>23 198</u>
Non-current liabilities	-	6 225
Current liabilities	6 225	16 973
	<u>6 225</u>	<u>23 198</u>

The average lease term was 5 years.

Interest rates are fixed at the contract date. All leases escalate at 10% - 15% p.a.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

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	2020 R	2019 R
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Water Affairs (DWA) WW Service Infrastructure Grant	-	1 556 630
Disaster Grant Covid-19 CKDM	400 000	-
Laingsburg New Business Park Project	1 288 730	-
Local Government Graduate Internship Grant	-	60 501
Local Government Internship Grant & WC-FMCB Grant	729 690	351 190
Municipal Drought Relief Grant - Construction of Main Reservoir	2 600 000	-
Municipal Drought Support Grant	2 433 724	343 491
Municipal Infrastructure Grant (MIG)	3 987 511	310 309
Municipal Service Delivery and Capacity Building	42 239	98 037
Provincial: Municipal Finance Improvement Programme Grant	403 492	1 293 446
Western Cape Drought Funding	-	13 183
Western Cape Grant for Sport Development	-	71 575
	11 885 386	4 098 362
Movement during the year		
Balance at the beginning of the year	4 098 362	9 622 303
Receipts during the year	40 268 778	34 862 679
Income recognition during the year	(30 426 316)	(40 731 413)
Repayment to National Treasury - Provincial: MFIP Grant	(188 500)	-
Repayment to National Treasury - Equitable Share	(1 556 629)	-
Interest	-	34 484
Correction of MIG receipts	(310 309)	310 309
	11 885 386	4 098 362

See note 32 for reconciliation of grants from National/Provincial Government.

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	2020 R	2019 R
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19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Increases	Change in estimate	Change in discount factor	Reductions (Outflow of economic benefits)	Total
Environmental rehabilitation	19 242 452	-	(1 083 870)	1 823 848	-	19 982 430
Insurance Workmen's Compensation Act	819 881	130 440	-	-	-	950 321
Leave	1 096 255	253 196	-	-	-	1 349 451
Bonus	564 886	102 892	-	-	(94 456)	573 322
	21 723 474	486 528	(1 083 870)	1 823 848	(94 456)	22 855 524

Reconciliation of provisions - 2019

	Opening Balance	Increases	Change in estimate	Change in discount factor	Reductions (Outflow of economic benefits)	Total
Environmental rehabilitation	17 381 112	-	292 376	1 568 964	-	19 242 452
Insurance Workmen's Compensation Act	698 781	121 100	-	-	-	819 881
Leave	973 066	123 189	-	-	-	1 096 255
Bonus	506 031	89 126	-	-	(30 271)	564 886
	19 558 990	333 415	292 376	1 568 964	(30 271)	21 723 474

Environmental rehabilitation provision

In terms of the licencing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R19 982 430 (2019: R19 242 452) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that is regarded as a risk-free rate and the average Consumer Price Index (CPI) from March 2019 to March 2020. The government bond rate was 10.044% (2019: 8.878%) and the CPI was 5.080% (2019: 4.473%).

The discount rate used to calculate the present value of the rehabilitation cost at each reporting period is based on calculated rate as determined by the municipality.

During the year the provision for the rehabilitation of the landfill site resulted in an increase/(decrease) in estimate amounting to (R1 083 870) (2019: R292 376) and an increase/(decrease) due to discounting amounting to R1 823 848 (2019: R1 568 964).

The permit restricts the height to 1m. As measured from the topographical survey, the available airspace up to this height has been exhausted. Therefore the remaining useful life is calculated as 0 years.

The municipality has an obligation to rehabilitate landfill sites at the end of expected useful life of the asset.

Insurance Workmen's Compensation Act

The provision for WCA insurance is made in terms of the Workmen's Compensation Act. The amount is payable upon and based on assessment by the Workmen's Compensation Commissioner.

The provision is based on the Compensation Commissioner returns.

Leave

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	2020 R	2019 R
19. Provisions (continued)		
Vacation or annual leave is a short-term employee benefit. Vacation leave can either be vested or non-vested. "Vested" vacation leave means that the employee is entitled to a cash payment for unused leave, e.g. after a certain period of time has elapsed or on resignation. "Non-vested" leave means that if employees do not use their leave, it is forfeited. Unless a municipality has an enforceable right to defer the encashment or utilisation of leave, the liability is treated as a current liability, e.g. a municipality does not have an unconditional right to defer settlement if employees can utilise their leave due at any time or demand that their unused leave be paid.		
Bonus		
This provision relates to the recording of the provision made for performance bonuses and other bonuses payable to municipal staff in terms of a policy.		
20. Payables from exchange transactions		
Payables and accruals	6 402 410	6 698 254
Advance payments	328 816	268 957
Retention	681 491	486 882
Salary clearing and control	80 254	31 839
	7 492 971	7 485 932
21. Consumer deposits		
Electricity	258 500	274 960
Water	333 351	291 791
Hiring of decorative items	5 530	5 030
Posters	2 482	2 482
Rental properties	114 961	99 759
	714 824	674 022
22. Revenue		
Actuarial gains	702 456	74 114
Agency services	132 227	150 848
Fines, penalties and forfeits	30 177 348	33 342 121
Government grants and subsidies	30 426 315	40 691 618
Interest earned - bank accounts and external investments	516 981	785 221
Interest earned - current assets	81 940	70 566
Interest earned - exchange transactions	343 237	282 207
Interest earned - non-exchange transactions	136 696	79 580
Licences and permits	513 151	226 195
Operational revenue	82 288	57 375
Property rates	4 173 684	3 910 434
Rental of facilities and equipment	1 482 438	1 353 366
Sale of goods and rendering of services	151 658	208 323
Service charges	18 835 727	17 139 760
	87 756 146	98 371 728

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	2020 R	2019 R
22. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Agency services	132 227	150 848
Interest earned - bank accounts and external investments	516 981	785 221
Interest earned - exchange transactions	343 237	282 207
Licences and permits	513 151	226 195
Operational revenue	82 288	57 375
Rental of facilities and equipment	1 482 438	1 353 366
Sale of goods	151 658	208 323
Service charges	18 835 727	17 139 760
	22 057 707	20 203 295
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Actuarial gains	702 456	74 114
Interest earned - current assets	81 940	70 566
Interest earned - non-exchange transactions	136 696	79 580
Property rates	4 173 684	3 910 434
Transfer revenue		
Fines, penalties and forfeits	30 177 348	33 342 121
Government grants and subsidies	30 426 315	40 691 618
	65 698 439	78 168 433
23. Service charges		
Sale of electricity	14 522 633	13 039 322
Sale of water	3 332 336	2 904 893
Sewerage and sanitation charges	2 908 755	2 733 775
Refuse removal	2 441 210	2 220 038
Revenue forgone	(4 369 207)	(3 758 268)
	18 835 727	17 139 760
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
24. Rental of facilities and equipment		
Premises		
Buildings	1 397 622	1 189 466
Operating lease - Soutkloof	36 756	51 929
	1 434 378	1 241 395
Land		
Commonage	306	247
Facilities and equipment		
Cutlery	922	2 078
Hawkers	6 929	3 879
Houses	12 351	18 304
Machinery and equipment	27 552	87 463
	47 754	111 724

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	2020 R	2019 R
24. Rental of facilities and equipment (continued)	1 482 438	1 353 366
Rental revenue earned from facilities and equipment is in respect of non-financial assets rented out.		
25. Fines, Penalties and Forfeits		
Overdue books fines	1 314	677
Municipal traffic fines	30 176 034	33 341 444
	30 177 348	33 342 121
26. Agency services		
Provincial department	132 227	150 848
27. Licences and permits (exchange)		
Activity public roads	2 562	-
Learner's licences	142 702	215 455
Motor vehicle licences	367 887	10 740
	513 151	226 195
28. Interest earned on non-current assets		
Interest	81 940	70 566
29. Operational revenue		
Other income	82 288	57 375
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Request for information	153	6 713
Insurance commission	13 937	10 867
Donations	8 371	-
Households	24 500	-
Public Sector SETA	35 327	39 795
	82 288	57 375
30. Interest earned on bank accounts and external investments		
Interest revenue		
External investments	85 843	84 797
Bank	431 138	700 424
	516 981	785 221

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	2020 R	2019 R
31. Property rates		
Rates received		
Agriculture	1 560 893	2 067 680
Business	635 034	598 594
Industrial	18	17
Municipal	371 439	344 643
Public Benefit Organisations	95 456	148 705
Public Service Infrastructure	134	248
Residential	688 805	618 358
State-owned	821 905	744 517
Less: Revenue forgone	-	(612 328)
	<u>4 173 684</u>	<u>3 910 434</u>
Interest earned on outstanding receivables	136 696	79 580
	<u>4 310 380</u>	<u>3 990 014</u>
Valuations		
Accommodation	16 377 000	16 377 000
Agriculture	940 649 500	939 289 500
Agriculture - Private Nature Reserve	32 263 000	32 263 000
Business	53 715 000	53 715 000
Industrial	2 000	2 000
Municipal	32 433 000	32 424 000
Public Benefit Organisation	4 450 000	4 450 000
Public Service Infrastructure	581 000	581 000
Religious	9 421 000	9 421 000
Residential	137 399 000	137 363 000
School	210 000	210 000
State	45 149 000	45 149 000
	<u>1 272 649 500</u>	<u>1 271 244 500</u>

Valuations on land and buildings are performed every 4 years and the implementation thereof every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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	2020 R	2019 R
32. Government grants and subsidies		
Operating grants		
CKDM - mSCOA Grant	-	47 783
Community Development Workers (CDW)	186 000	-
Equitable Share	16 573 630	15 000 000
Expanded Public Works Programme (EPWP)	1 238 000	1 000 000
Financial Management Grant (FMG)	1 800 000	2 394 903
Laingsburg New Business Park Project	194 418	-
Library Service: Replacement Funding For Most Vulnerable B3 Municipalities	1 251 000	1 260 000
Local Government Support Grant: COVID-19	400 000	-
Local Government Graduate Internship Grant	60 501	-
National Government Support Grant: COVID-19	268 000	-
Municipal Service Delivery and Capacity Building	1 500	-
Municipal Drought Support Grant	1 422 950	-
Municipal Service Delivery and Capacity Building	55 798	-
Western Cape Financial Management Capacity Grant	1 826 454	1 577 294
	25 278 251	21 279 980
Capital grants		
Integrated National Electrification Programme (INEP)	2 372 000	2 300 540
Municipal Infrastructure Grant (MIG)	2 704 489	17 111 098
Western Cape Grant for Sport Development	71 575	-
	5 148 064	19 411 638
	30 426 315	40 691 618

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to subsidise income.

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing towards the consumer account. The subsidy is determined annually by Council. All indigent consumers receive 6 kilolitre water and 50kWh electricity free every month.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act. 108 of 1996) to the municipality by National Treasury.

Current-year receipts	16 573 630	15 000 000
Conditions met - transferred to revenue	(15 017 000)	(15 000 000)
Repayment to National Treasury	(1 556 630)	-
	-	-

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	2020 R	2019 R
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32. Government grants and subsidies (continued)

Integrated National Electrification Program (INEP)

Current-year receipts	2 372 000	2 000 000
Conditions met - transferred to revenue	(2 372 000)	(2 000 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to address the electrification backlog of occupied residential dwellings and the installation of bulk electrical infrastructure.

Human Settlement Development Grant

Balance unspent at beginning of year	-	198 000
Conditions met - transferred to revenue	-	(198 000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas.

Local Government Graduate Internship Grant

Balance unspent at beginning of year	60 501	54 903
Current-year receipts	-	72 501
Conditions met - transferred to revenue	(60 501)	(66 903)
	<u>-</u>	<u>60 501</u>

The "kick-about" is part of the youth development against violence through sport programmes with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social skills.

The project is for the construction of a "kick-about" facility as well as to provide basic football equipment to children in poor rural areas.

Western Cape Grant for Sport Development

Balance unspent at beginning of year	71 575	-
Current-year receipts	-	112 050
Conditions met - transferred to revenue	(71 575)	(40 475)
	<u>-</u>	<u>71 575</u>

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Programme (EPWP)

Current-year receipts	1 238 000	1 000 000
Conditions met - transferred to revenue	(1 238 000)	(1 000 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- Road maintenance and the maintenance of buildings;

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32. Government grants and subsidies (continued)

- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure); and
- Other economic and social infrastructure.

Provincial: Municipal Finance Improvement Programme

Balance unspent at beginning of year	1 293 446	630 032
Current-year receipts	1 125 000	2 197 348
Conditions met - transferred to revenue	(1 826 454)	(1 533 934)
Repayment to National Treasury	(188 500)	-
	403 492	1 293 446

Conditions still to be met - remain liabilities (see note 18).

This grant is intended at assisting municipalities to regain clean financial governance abilities.

Municipal Service Delivery and Capacity Building

Balance unspent at beginning of year	98 037	-
Current-year receipts	-	131 086
Conditions met - transferred to revenue	(55 798)	(33 049)
	42 239	98 037

Conditions still to be met - remain liabilities (see note 18).

To develop financial human capacity within the municipal area to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

Department of Water Affairs (DWA) WW Service Infrastructure Grant

Balance unspent at beginning of year	1 556 630	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(443 370)
Repayment to National Treasury	(1 556 630)	-
	-	1 556 630

This grant is used for water supply at Matjiesfontein, ground water investigation and the compilation of a water master plan. The water master plan needs to be drafted and submitted and the water meters needs to be installed.

Western Cape Drought Funding

Current-year receipts	3 500 000	1 500 000
Conditions met - transferred to revenue	(3 500 000)	(1 500 000)
	-	-

This grant was received to assist with drought within the municipal area.

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	2020 R	2019 R
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32. Government grants and subsidies (continued)

CKDM Support Grant: Covid-19

Current-year receipts	400 000	-
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Conditions still to be met - remain liabilities (see note 18).

This grant was received from Local Government to assist with COVID-19 related matters.

Local Government Support Grant: COVID-19

Current-year receipts	668 000	-
Conditions met - transferred to revenue	(668 000)	-
	-	-

To provide financial assistance to district municipalities to perform the administrative and monitoring role, including data management relating to humanitarian relief. To provide financial assistance to local municipalities to augment and support current humanitarian relief initiatives.

Laingsburg New Business Park Project

Current-year receipts	1 483 148	-
Conditions met - transferred to revenue	(194 418)	-
	1 288 730	-

Conditions still to be met - remain liabilities (see note 18).

To support the development of key catalytic infrastructure projects which promote medium to long term economic gains and to increase the sustainability and growth of SMMEs.

Library Service: Replacement funding for most vulnerable B3 Municipalities

Current-year receipts	1 251 000	1 260 000
Conditions met - transferred to revenue	(1 251 000)	(1 260 000)
	-	-

To support municipal investment in library services and to sustain the future professional delivery and development of such services in the most vulnerable B3 municipalities.

Local Government Internship Grant & WC-FMCB Grant

Balance unspent at beginning of year	351 190	351 190
Current-year receipts	378 500	-
	729 690	351 190

Conditions still to be met - remain liabilities (see note 18).

To develop financial human capacity within the municipal area to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

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	2020 R	2019 R
32. Government grants and subsidies (continued)		
Municipal Drought Support		
Balance unspent at beginning of year	343 491	7 300 000
Current-year receipts	3 500 000	(6 956 509)
Conditions met - transferred to revenue	(1 409 767)	-
	2 433 724	343 491

Conditions still to be met - remain liabilities (see note 18).

This allocation may only be utilised for the following projects:

- R3 700 000 for the construction of the bulk pipeline between the Zoutkloof Spring and the main reservoir as well as the equipping and electricity connection and connection of two boreholes to the Zoutkloof line.
- R1 700 000 for the Zoutkloof Spring rehabilitation.
- R1 900 000 for the borehole pump for the existing borehole in Matjiesfontein and Eskom connection.

Overberg Water War on Leaks

Balance unspent at beginning of year	-	165 370
Conditions met - transferred to revenue	-	(165 370)
	-	-

This was a donation from Overberg Municipality to invest in water supply infrastructure.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	310 309	1 120 248
Current-year receipts	6 692 000	6 588 000
Conditions met - transferred to revenue	(2 704 489)	(7 708 248)
Prior period correction	(310 309)	310 309
	3 987 511	310 309

Conditions still to be met - remain liabilities (see note 18).

This grant is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Municipal Electrical Master Plan

Balance unspent at beginning of year	-	153 750
Conditions met - transferred to revenue	-	(153 750)
	-	-

This grant was received to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision for basic electricity to citizens.

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	2020 R	2019 R
33. Employee related costs		
Acting allowances	285 490	328 475
Bargaining council levies	7 343	6 503
Basic	16 118 010	14 443 569
Bonus	1 183 175	888 960
Cell phone allowances	7 440	18 695
Defined contribution plans	201 596	48 253
Housing allowances	139 260	124 031
Leave pay provision charge	253 196	123 189
Long service awards	41 523	105 089
Medical aid contributions	744 714	634 239
Motor vehicle allowances	825 927	676 568
Other benefits and allowances	60 638	21 267
Overtime payments	1 214 591	853 239
Pension contributions	2 240 990	1 916 234
Unemployment Insurance Fund (UIF)	126 908	100 973
	23 450 801	20 289 284
Remuneration of Municipal Manager - Mr J Booysen		
Annual Remuneration	147 937	-
Cell phone allowance	3 500	-
Contributions to UIF, Medical and Pension Funds	149	-
Bargaining council	9	-
	151 595	-
Remuneration of Chief Finance Officer - Ms A Groenewald		
Annual Remuneration	860 988	789 492
Bonus	77 918	65 791
Acting allowance	3 323	5 005
Contributions to UIF, Medical and Pension Funds	167 983	169 781
Travel / motor vehicle allowance	203 160	203 160
Housing allowance	10 893	10 829
Bargaining council	109	105
	1 324 374	1 244 163
Remuneration of Municipal Manager - Mr PA Williams		
Annual Remuneration	530 181	1 154 450
Bonus	-	50 000
Contributions to UIF, Medical and Pension Funds	892	1 636
Travel / motor vehicle allowance	68 400	45 600
Cell phone allowance	-	21 000
Scarcity allowance	-	49 876
Other non-taxable allowance	23 265	75 000
	622 738	1 397 562

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	2020 R	2019 R
34. Remuneration of councillors		
Executive Mayor	822 047	810 992
Deputy Executive Mayor	391 460	346 821
Speaker	666 518	657 376
Councillors	1 249 128	1 213 556
	3 129 153	3 028 745

In-kind benefits

The Executive Mayor and Speaker are full-time Councillors. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

2020	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
M Gouws (Executive Mayor)	724 162	53 485	44 400	25 835	847 882
I Brown (Deputy Executive Mayor)	270 396	76 664	44 400	11 530	402 990
RM Louw (Speaker)	473 072	149 046	44 400	20 668	687 186
BJ van As (Councillor)	192 613	53 485	40 800	-	286 898
Theron W du P (Councillor)	192 613	53 485	44 400	-	290 498
L Potgieter (Councillor)	246 098	-	44 400	-	290 498
M Daniels (Councillor)	246 098	-	44 400	8 176	298 674
	2 345 052	386 165	307 200	66 209	3 104 626

2019	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
M Gouws (Executive Mayor)	701 705	53 485	44 400	11 402	810 992
I Brown (Deputy Executive Mayor)	260 374	76 664	44 400	5 488	386 926
RM Louw (Speaker)	504 788	99 364	44 400	8 824	657 376
BJ van As (Councillor)	199 899	53 485	40 800	774	294 958
Theron W du P (Councillor)	199 899	53 485	44 400	774	298 558
L Potgieter (Councillor)	253 384	-	44 400	774	298 558
B Kleinbooi (Councillor)	137 557	40 114	33 300	4 009	214 980
M Daniels (Councillor)	51 100	-	7 400	-	58 500
	2 308 706	376 597	303 500	32 045	3 020 848

35. Inventories recognised as an expense

Consumables	1 472 555	1 273 398
Materials and supplies	613 388	993 446
	2 085 943	2 266 844

36. Depreciation and amortisation

Property, plant and equipment	5 803 274	6 013 246
Investment property	64 177	64 177
Intangible assets	83 855	82 917
	5 951 306	6 160 340

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	2020 R	2019 R
37. Impairment of assets		
Impairments		
Property, plant and equipment	-	30 294
The main classes of assets affected by impairment losses are:		
• Plant and machinery		
• Furniture and office equipment		
• Computer equipment		
• Motor vehicles		
38. Finance costs		
Bank accounts	8 274	48 004
Finance leases	1 496	4 915
Landfill site rehabilitation provision	1 823 848	1 568 964
Late submission of VAT (SARS)	79 663	32 604
Non-current employee benefits	443 491	415 139
	2 356 772	2 069 626
39. Lease rentals		
Other Assets		
Contractual amounts	151 611	-
Community Assets		
Contractual amounts	15 475	-
Lease rentals on finance lease		
Contractual amounts	275 058	188 854
Lease rentals on operating lease - Library Vleiland		
Contractual amounts	18 360	130 983
	460 504	319 837
40. Debt impairment		
Allowance for impairment/(Reversal of allowance for impairment) - Receivables	932 566	(937 031)
Contributions to allowance for impairment - Fines	26 364 726	26 525 803
	27 297 292	25 588 772
41. Bulk purchases		
Electricity - Eskom	9 888 165	7 872 282

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	2020 R	2019 R
42. Contracted services		
Outsourced Services		
Burial Services	4 800	14 183
Business and Advisory	1 196 028	3 612 052
Catering Services	45 515	62 652
Drivers Licence Cards	-	30 099
Electrical	457 287	437 269
Internal Auditors	16 354	206 986
Security Services	445 072	1 273 068
	2 165 056	5 636 309
Consultants and Professional Services		
Business and Advisory	1 927 272	509 682
Infrastructure and Planning	-	177 000
Laboratory Services	168 161	17 846
Legal Cost	554 389	870 894
	2 649 822	1 575 422
Contractors		
Electrical	-	30 842
Maintenance of Buildings and Facilities	7 173	64 615
Maintenance of Equipment	87 294	6 095
Maintenance of Unspecified Assets	486 687	1 456 979
Pest Control and Fumigation	49 041	1 844
Transportation	-	18 500
	630 195	1 578 875
	5 445 073	8 790 606
43. Transfers and subsidies		
Other subsidies		
Housing transfers	8 950	25 617
Equitable Share Households	81 809	816 876
Disaster management	364 275	-
	455 034	842 493
44. Disposal of a significant asset(s)		
Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.		
Description of the asset(s), group of assets and liabilities or, component		
Carrying values		
Carrying value of Furniture and Office Equipment	-	(45 692)
Carrying value of Plant and Machinery	-	(14 325)
Carrying value of Computer Equipment	-	(12 329)
Carrying value of Motor Vehicles	-	(1 024)
Carrying value of Water Supply Infrastructure	(7 447)	-
Carrying value of Sanitation Infrastructure	(632)	-
	(8 079)	(73 370)

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	2020 R	2019 R
45. Operational cost		
Advertising, publicity and marketing	109 955	103 599
Assets less than the capitalisation threshold	-	17 193
Audit fees	1 233 339	831 352
Bank charges, facility and card fees	524 579	563 303
Bursaries (Employees)	9 226	46 034
Commission	1 371 848	2 363 854
Communication	471 161	503 305
Deeds	6 040	176 776
Entertainment	-	18 842
External computer service	1 741 935	1 368 480
Fines and penalties	109 520	81 669
Insurance underwriting	346 418	293 930
Levies paid - Water Resource Management Charges	15 051	72 152
Licences	387 160	75 518
Municipal services	773 631	695 918
Printing, publications and books	29 543	5 733
Professional bodies, membership and subscription	-	1 295 562
Registration fees	12 870	39 458
Remuneration to ward committees	-	175 421
Resettlement cost	24 000	-
Skills development fund levy	196 403	178 029
Travel and subsistence	1 130 813	929 680
Uniforms and protective clothing	37 015	85 906
Wet fuel	4 706	1 316
Workmen's compensation fund	130 440	121 100
	8 665 653	10 044 130
46. Gains on disposal of assets		
Land	54 636	-
47. Fair value adjustments		
Provision for rehabilitation of landfill site	1 083 870	-
48. Auditors' remuneration		
Fees	1 233 339	831 352

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	2020 R	2019 R
49. Cash generated from operations		
Surplus/(Deficit) for the year	(2 397 830)	8 327 122
Adjustments for:		
Depreciation and amortisation	5 951 306	6 160 340
Loss on disposal of assets	8 079	73 370
Gains on disposal of assets	(54 636)	-
Fair value adjustments	(1 083 870)	-
Impairment loss/(reversal of impairment loss)	-	30 294
Debt impairment	27 297 291	25 588 772
Bad debts written off	-	26 258
Government grants and subsidies received	39 958 469	34 400 267
Government grants and subsidies recognised as revenue	(30 426 315)	(40 234 517)
Repayment to National Treasury	(1 745 130)	-
Change in provision for rehabilitation cost	1 823 848	1 585 697
Contribution from/to provisions - Non-current employee benefits (Actuarial gains)/losses	(702 456)	(74 114)
(Increase)/decrease in employee benefits	302 752	-
Contribution from/to provisions - Non-current employee benefits	625 029	647 286
Benefits paid to employee benefits	(94 456)	-
Contribution from/to provisions - Workmen's Compensation	130 440	121 100
Changes in working capital		
Increase/(Decrease) in payables from exchange transactions	7 039	(185 212)
Increase/(Decrease) in taxes	573 270	(999 545)
(Increase)/Decrease in inventory	339 717	335 866
(Increase)/Decrease in receivables from exchange transactions	(1 638 638)	(621 735)
(Increase)/Decrease in receivables from non-exchange transactions	(26 062 469)	(25 023 667)
(Increase)/Decrease in other receivables from exchange transactions	(2 065)	-
	12 809 375	10 157 582

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	2020 R	2019 R
50. Financial instruments disclosure		
Categories of financial instruments		
2020		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	3 560 304	3 560 304
Receivables from non-exchange transactions	7 298 227	7 298 227
Current portion of long-term receivables from exchange transactions	1 342	1 342
Cash and cash equivalents	12 091 897	12 091 897
	22 951 770	22 951 770
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	7 492 971	7 492 971
Finance lease obligation	6 225	6 225
	7 499 196	7 499 196
2019		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	2 659 329	2 659 329
Receivables from non-exchange transactions	7 794 265	7 794 265
Current portion of long-term receivables from exchange transactions	396	396
Cash and cash equivalents	6 551 627	6 551 627
	17 005 617	17 005 617
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	7 485 934	7 485 934
Finance lease obligation	23 198	23 198
	7 509 132	7 509 132

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	2020 R	2019 R
51. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	17 315 836	20 671 997
Total capital commitments	17 315 836	20 671 997
Already contracted for but not provided for		
Total commitments		
Total commitments		
Authorised capital expenditure	17 315 836	20 645 702

This committed expenditure is disclosed inclusive of value-added-tax, and relates to infrastructure assets and will be financed through grants.

The following commitments are towards multi-year projects and will therefore last more than one year:

- National Electrification Program (Makhukane Consulting Engineers CC)
- Appointment of Consulting Engineers for various municipal infrastructure and building projects (Makhukane Consulting Engineers CC)
- Water pipeline between reservoirs - project is on hold (Aurecon)
- Booster pump station (Aurecon)
- Construction of bulk raw water pipeline from Soutkloof reservoir to town reservoir (Phambili Civil)
- Laingsburg Emergency Works on Water Supply (Exeo Khokela Civil Engineering Construction)
- Construction of Sludge Drying Beds at Laingsburg Waste Water Treatment Works (Vancar Construction (Pty) Ltd (Non-VAT Vendor), IX Engineers (Pty) Ltd)
- Appointment of Consulting Engineers: MIG 201983 2ML Reservoir - Project only in design/tender stage (IX Engineers (Pty) Ltd)
- Appointment of Consulting Engineers: MIG 186986, New water supply pipeline, Goldnerville - Project only in design/tender stage (IX Engineers (Pty) Ltd, Makhukane Consulting Engineers CC)
- New Stormwater Channel Goldnerville: MIG 198496 - Project is done in house
- Matjiesfontein 250KL Reservoir (New Water Purification System): MIG 364572 (IX Engineers (Pty) Ltd)
- New 2ML Reservoir in Laingsburg (Budget Adjustment): MIG 363876 (IX Engineers (Pty) Ltd)
- New Business Park for Emerging Entrepreneurs (IX Engineers (Pty) Ltd)

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	2020 R	2019 R
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52. Contingencies

Workmen's Compensation Fund:

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) replaced the "Workmen's Compensation Act" (Act No. 30 of 1941), and was amended in 1997.

The Compensation Fund provides compensation for occupational injuries or diseases sustained or contracted by employees in the course and scope of their employment, or their dependents for death resulting from such injuries or disease, and to pay reasonable medical expenses incurred.

The annual assessment fee of an employer is based on their employee's earnings and the risks associated with the type of work or profession. Before 31 March each year, all employers (including contractors) must submit a statement (return) of earnings reflecting amount paid to all their workers from the beginning of March to the end of February.

Assessment tariffs, reviewed annually, are based on the risks related to a particular type of work.

Payment of assessments:

- Employers must pay within 30 days of receiving the notice of assessment;
- Employers must apply in writing to settle assessments in instalments (not exceeding 12 months);
- 20% of the outstanding balance due is required upfront before instalment arrangements can be applied for;
- Should the instalment fall overdue, the full amount becomes due and payable immediately.

Failure to comply may result in:

- Penalty can be imposed for late submission of ROE (Sect 83(2) – 10%);
- Estimations will be done if no returns (ROE) are submitted (Sect 83(6)(a));
- Penalty on non-payment of assessments (Sect 87(1) – 10%);
- Interest on late payment of assessment (prevailing prime rate);

An employer who fails to comply with a provision of this section shall be guilty of an offence – Sect 81(3).

The municipality is severally at risk for not making annual payments towards the Workmen's Compensation Fund since 2012. The contingency arises as this may result in significant amounts of penalties and interest payable to the Workmen's Compensation Fund. The penalties and interest may also result in fruitless and wasteful expenditure and as the municipality's financial viability is at risk, the repayment of assessments may give rise to a financial risk.

The municipality did however provide for a provision for Workmen's Compensation during the year as well as a restated provision for the prior year. Refer to note 19.

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	2020 R	2019 R
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53. Related parties

Relationships

Councillor

Mr Wilhelm Theron

Close family member of key management

Annalie Theron Gastehuisse

Member of key management

Charity Hlongwane (Official - City of Cape Town)

The municipality provided municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in "service charges" and "property rates" in the Statement of Financial Performance. Any balances due to the municipality at the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) in the Statement of Financial Position.

Section 45 of the Local Government: Municipal Finance Management Regulations (Published in terms of Act No.56 of 2003) states that any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, should be disclosed in the Annual Financial Statements.

All services with Koup Produsente were cancelled from October 2019, as Mr Wilhelm Theron (Councillor of Laingsburg Municipality) is a director of Koup Produsente.

Expenditure key management/close member of family	Expenditure 2020	Expenditure 2019
Charity Hlongwane (Official - City of Cape Town)	112 700	-
Mr Wilhelm Theron (Koup Produsente)	24 270	165 197
Ms Annalie Theron, spouse of Councillor Mr Wilhelm Theron	-	3 250
Spouse of Advocate EW Vermaak	-	41 326
	136 970	209 773

54. Change in estimate

Landfill site

The remaining useful life of landfill site asset was estimated to be 14 years based on prior period calculations. In the current period the revised useful life of the landfill site asset was estimated to be 0 years. The effect of this revision was due to change in discounting rates and Customer Price Index (CPI) rates. This resulted in an increase in the depreciation charges for the prior and no depreciation for the current period.

The permit restricts the height to 1m. As measured from the topographical survey, the available airspace up to this height has been exhausted, therefore the useful life of the landfill site was estimated to be 0 years and are fully depreciated.

The impact on the change in estimate is as follows:

Depreciation reported in the previous year	431 673	277 736
Increase/(decrease) in change in estimate	(431 673)	17 395 752
	-	17 673 488

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		2020 R	2019 R	
55. Prior-year adjustments and reclassifications				
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:				
Statement of Financial Position				
2019				
Assets	As previously reported	Correction of error	Re-classification	Restated
Non-Current Assets				
Investment property	24 800 592	(1 954 920)	-	22 845 672
Property, plant and equipment	167 472 631	(6 077 155)	-	161 395 476
Intangible assets	370 105	-	-	370 105
Heritage assets	43 354	-	-	43 354
	192 686 682	(8 032 075)	-	184 654 607
Current Assets	As previously reported	Correction of error	Re-classification	Restated
Inventories	888 956	91 484	-	980 440
Current portion of long term receivables from exchange transactions	396	-	-	396
VAT receivable	3 914 615	(852 788)	-	3 061 827
Receivables from exchange transactions	2 708 353	(49 022)	-	2 659 331
Receivables from non-exchange transactions	7 800 391	(6 125)	-	7 794 266
Cash and cash equivalents	6 551 627	-	-	6 551 627
	21 864 338	(816 451)	-	21 047 887
Liabilities	As previously reported	Correction of error	Re-classification	Restated
Non-Current Liabilities				
Finance lease obligation	6 225	-	-	6 225
Employee benefit obligation	4 431 428	-	-	4 431 428
Provisions	10 051 912	(10 051 912)	-	-
	14 489 565	(10 051 912)	-	4 437 653
Current Liabilities	As previously reported	Correction of error	Re-classification	Restated
Finance lease obligation	16 973	-	-	16 973
Payables from exchange transactions	8 473 725	673 355	(1 661 142)	7 485 938
Consumer deposits	674 022	-	-	674 022
Employee benefit obligation	460 337	-	-	460 337
Unspent conditional grants and receipts	3 788 053	310 308	-	4 098 361
Provisions	698 781	19 363 546	1 661 142	21 723 469
	14 111 891	20 347 209	-	34 459 100
Net Assets	As previously reported	Correction of error	Re-classification	Restated
Accumulated surplus	185 949 564	(19 143 920)	-	166 805 644

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Notes to the Annual Financial Statements

			2020 R	2019 R
55. Prior-year adjustments and reclassifications (continued)				
Statement of Financial Performance				
2019				
Revenue	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions				
Sale of goods and rendering of services	208 323	-	-	208 323
Service charges	17 161 717	(21 957)	-	17 139 760
Interest earned - bank accounts and external investments	785 221	-	-	785 221
Interest earned - exchange transactions	282 207	-	-	282 207
Rental of facilities and equipment	1 353 643	(277)	-	1 353 366
Licences and permits	226 195	-	-	226 195
Agency services	150 848	-	-	150 848
Operational revenue	17 580	-	39 795	57 375
	20 185 734	(22 234)	39 795	20 203 295
Revenue from non-exchange transactions	As previously reported	Correction of error	Re-classification	Restated
Property rates	3 910 433	-	-	3 910 433
Interest earned - non-exchange transactions	79 580	-	-	79 580
Interest earned - current assets	70 566	-	-	70 566
Actuarial gain	74 114	-	-	74 114
Government grants and subsidies	40 731 413	-	(39 795)	40 691 618
Fines, penalties and forfeits	33 342 121	-	-	33 342 121
	78 208 227	-	(39 795)	78 168 432
Expenditure	As previously reported	Correction of error	Re-classification	Restated
Employee related costs	22 931 009	-	-	22 931 009
Remuneration of councillors	3 028 745	-	-	3 028 745
Debt impairment	25 588 772	-	-	25 588 772
Bad debts written off	-	26 258	-	26 258
Depreciation and amortisation	6 355 287	(194 948)	-	6 160 339
Impairment loss	30 294	-	-	30 294
Finance costs	1 205 671	863 955	-	2 069 626
Lease rentals on operating lease	311 787	8 050	-	319 837
Bulk purchases	7 872 282	-	-	7 872 282
Contracted services	8 613 606	177 000	-	8 790 606
Inventory consumed	2 266 844	-	-	2 266 844
Transfers and subsidies	842 493	-	-	842 493
Loss on disposal on assets	73 370	-	-	73 370
Operational cost	9 929 079	115 051	-	10 044 130
	89 049 239	995 366	-	90 044 605

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	2020 R	2019 R
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55. Prior-year adjustments and reclassifications (continued)

Errors

The following prior period errors adjustments occurred:

Investment properties

During the year, land and buildings verification was performed. This resulted in first time recognition of assets, newly depreciated assets and reclassification between investment properties and land & buildings. This resulted in a decrease of R1 969 207 in the carrying value of investment properties and an increase of R14 287 as a result of a depreciation correction.

Property, plant and equipment

During the year, a recalculation was performed for the provision of rehabilitation of the landfill site. The carrying value of the asset amounting to R7 638 710 as reported in the Audited Annual Financial Statements for the year ended 30 June 2019, was derecognised.

As per the recalculation, an asset was recognised with an amount of R17 381 112. As per the report from JPCE (Specialist Consulting Engineers), a change in estimate occurred which resulted in an increase in the cost amounting to R292 376.

The following was extracted from the report:

"The permit restricts the height to 1m. As measured from the topographical survey, the available airspace up to this height has been exhausted. It is recommended the Municipality apply for a height extension in order to increase the operational lifetime of the landfill or the site must be officially closed and rehabilitated. Therefore the remaining useful life is calculated as 0 years."

As the remaining useful life was calculated as 0 years, the total cost of the landfill site asset amounting to R17 673 488 was depreciated, resulting in a nil carrying value as at 30 June 2019.

During the year, a full movable asset, land and buildings verification was performed. This resulted in first time recognition of assets, newly depreciated assets and reclassification between classes of movable assets as well as land and buildings and investment properties.

During the finalisation of work-in-progress a payment was made after year-end for New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir. The capital expenditure was not recorded in the 2018/2019 financial year. This resulted in an increase of R156 972.

During the finalisation of work-in-progress it was identified that retention for the following projects was not captured. This resulted in an increase of R486 882

- New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir - R408 650
- INEP Bulk Funding 2018/2019 - New Switching Substation (Phase 3 & 4) - R78 232

Furthermore, it was identified that inventory to the value of R91 398 was incorrectly included in the project - New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir. The correction resulted in a decrease in work-in-progress.

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	2020 R	2019 R
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55. Prior-year adjustments and reclassifications (continued)

VAT Receivable

During the year, an apportionment calculation for VAT was performed. Input tax should have been claimed at 12.74% (as per the calculation) instead of 15%. An adjustment amounting to R402 464 was processed and is payable to SARS.

Furthermore, it was identified that no input VAT was claimed on any of the MTN telephone contracts. An adjustment amounting to R39 390 was processed and is claimable from SARS.

In addition to the above, it was identified that capital input tax was claimed twice. An adjustment amounting to R527 100 was processed and is payable to SARS.

During the year upon finalisation of the VAT reconciliation it was identified that the opening balance was not adjusted as per the VAT201 of 2019/06. This resulted in an increase of R13 077.

During the finalisation of work-in-progress a payment was made after year-end for New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir. The capital expenditure and VAT was not recorded in the 2018/2019 financial year. This resulted in an increase of R23 546.

During the year, prior year debtor accounts were corrected and this resulted in an increase of R763.

Receivables from exchange transactions

During the year, council resolutions were obtained whereby either municipal accounts was written off or rebates were given. This resulted in a decrease of R49 022.

Receivables from non-exchange transactions

During the year, council resolutions were obtained whereby either municipal accounts was written off or rebates were given. This resulted in a decrease of R10 081.

During the year it was identified that sundry debtors pertaining to the prior year, were corrected. This resulted in an increase of R3 955.

Inventories

During the finalisation of work-in-progress, it was identified that inventory to the value of R91 398 was incorrectly included in the project - New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir. The correction resulted in an increase in Inventory - Consumables.

Payables from exchange transactions

During the finalisation of work-in-progress a payment was made after year-end for New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir. The creditor was captured in the 2019/2020 financial year, instead of the 2018/2019 financial year. This resulted in an increase of R180 517.

During the finalisation of work-in-progress it was identified that retention for the following projects was not captured. This resulted in an increase of R486 882 in payables as the retention monies are still due.

- New Bulk Watermain: Zoutekloof Reservoir to Town Main Reservoir - R408 650
- INEP Bulk Funding 2018/2019 - New Switching Substation (Phase 3 & 4) - R78 232

A creditor was paid after the 2018/2019 financial year for the hiring of machinery during the 2018/2019 financial year. The creditor and the related expenditure was not captured in the 2018/2019 financial year. This resulted in an increase of R8 050.

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	2020 R	2019 R
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55. Prior-year adjustments and reclassifications (continued)

A correction was processed during the year for travel and subsistence amounting to R2 094. This resulted in a decrease of R2 094.

Provisions

During the year, a recalculation was performed for the provision of rehabilitation of the landfill site. The present value of the provision amounting to R10 051 912 as reported in the Audited Annual Financial Statements for the year ended 30 June 2019, was derecognised.

As per the report from JPCE (Specialist Consulting Engineers), the present value of the provision as at 1 July 2018 was R17 381 112, with an increase in estimate amounting to R292 376 and an increase due to discounting amounting to R1 568 964.

The correction resulted in the present value being disclosed as at 30 June 2019 to the value of R19 242 452.

A provision for Workmen's Compensation was calculated during the year for the prior year. This resulted in an increase amounting to R121 100.

Unspent conditional grants and receipts

During the year it was identified that monies were spent out of own funding and not capital funding, therefore the unspent conditional grant (MIG) was understated. A restatement was processed which resulted in unspent conditional grants increasing by R310 310.

Accumulated surplus

During the year, a recalculation was performed for the provision of rehabilitation of the landfill site. The opening balance of the landfill site asset amounting to R6 475 090 and the present value of the provision amounting to R7 751 611 as reported in the Audited Annual Financial Statements for the year ended 30 June 2019 (comparative figures), was derecognised.

The depreciation amounting to R277 736 and interest on landfill site amounting to R495 426 as reported in the Audited Annual Financial Statements for the year ended 30 June 2019 (comparative figures), was reversed.

During the year, an apportionment calculation for VAT was performed. Input tax should have been claimed at 12.74% (as per the calculation) instead of 15%. An adjustment amounting to R402 464 was processed and is payable to SARS.

Furthermore, it was identified that no input VAT was claimed on any of the MTN telephone contracts. An adjustment amounting to R39 390 was processed and is claimable from SARS.

During the year upon finalisation of the VAT reconciliation it was identified that the opening balance was not adjusted as per the VAT201 of 2019/06. This resulted in an increase of R13 077.

During the year, a full movable asset, land and buildings verification was performed. This resulted in first time recognition of assets, newly depreciated assets and reclassification between classes of movable assets as well as land and buildings and investment properties. The correction resulted in the following:

- Correction of movable assets due to first time recognition - increase of R135 180
- Correction of other assets, investment properties and community assets - decrease of R354 500

During the finalisation of work-in-progress it was identified that expenditure relating to INEP Bulk Programme NERSA and Electrical Master Plan was incorrectly included in work-in-progress instead of contracted services. This resulted in a decrease of R605 151.

During the year, council resolutions were obtained whereby either municipal accounts from prior years were written off or rebates were given. This resulted in a decrease of R9 848.

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55. Prior-year adjustments and reclassifications (continued)

During the year it was identified that monies were spent out of own funding and not capital funding, therefore the unspent conditional grant (MIG) was understated. A restatement was processed which resulted in unspent conditional grants increasing by R310 310 and accumulated surplus decreasing by R310 310.

Service charges

.During the year, various debtor accounts were corrected. This resulted in a decrease of R21 958.

Rental of facilities and equipment

During the year, various debtor accounts were corrected. This resulted in a decrease of R276.

Bad debts written off

During the year, council resolutions were obtained whereby municipal accounts from prior years were written off. This resulted in an increase of R26 258.

Depreciation and amortisation

During the year, a recalculation was performed for the provision of rehabilitation of the landfill site.

The recalculation resulted in a decrease in depreciation of R139 297.

During the year, a full movable asset, land and buildings verification was performed. This resulted in first time recognition of assets, newly depreciated assets and reclassification between classes of movable assets as well as land and buildings and investment properties. The correction resulted in a decrease of R7 142.

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55. Prior-year adjustments and reclassifications (continued)

Finance costs

During the year, a recalculation was performed for the provision of rehabilitation of the landfill site.

The recalculation resulted in an increase in interest on landfill site provision amounting to R863 955.

Contracted services

During the finalisation of work-in-progress it was identified that expenditure relating to INEP Bulk Programme NERSA and Electrical Master Plan was incorrectly included in work-in-progress instead of contracted services. This resulted in an increase of R177 000.

Lease rentals on operating lease

A creditor was paid after the 2018/2019 financial year for the hiring of machinery during the 2018/2019 financial year. The creditor and the related expenditure was not captured in the 2018/2019 financial year. This resulted in an increase of R8 050.

Operation cost

A correction was processed during the year for travel and subsistence amounting to R2 094. This resulted in a decrease of R2 094.

During the year it was identified that telephone expenses pertaining to the prior year, were corrected. This resulted in a decrease of R3 955.

A provision for Workmen's Compensation was calculated during the year for the prior year. This resulted in an increase amounting to R121 100.

Reclassifications

The following reclassification adjustments occurred:

Payables from exchange transactions

The provision for leave amounting to R1 096 259 and the provision for bonus amounting to R564 886 previously classified under payables from exchange transactions, were reclassified to current liabilities - provisions.

This resulted in a decrease in payables from exchange transactions amounting to R1 661 145.

Provisions (current)

The provision for leave amounting to R1 096 259 and the provision for bonus amounting to R564 886 previously classified under payables from exchange transactions, were reclassified to current liabilities - provisions.

This resulted in an increase in current liabilities - provisions amounting to R1 661 145.

During the year, it was identified that an amount of R30 271 was incorrectly classified under payables from exchange transactions "bonus" as reported in the Audited Annual Financial Statements for the year ended 30 June 2019.

The amount was reclassified to provisions - current.

56. Comparative figures

Certain comparative figures have been reclassified. Refer to note 55

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57. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The current financial position of the municipality poses a huge liquidity risk.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	7 492 971	-	-	-	7 492 971
Consumer deposits	714 823	-	-	-	714 823
Provision - landfill site	19 982 430	-	-	-	19 982 430
Provision - Workmens Compensation	950 321	-	-	-	950 321
Unspent conditional grants	11 885 386	-	-	-	11 885 386
	41 025 931	-	-	-	41 025 931
At 30 June 2019	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Payables from exchange transactions	7 485 934	-	-	-	7 485 934
Consumer deposits	674 022	-	-	-	674 022
Provision - landfill site	19 242 452	-	-	-	19 242 452
Provision - Workmens Compensation	819 881	-	-	-	819 881
Unspent conditional grants	4 098 362	-	-	-	4 098 362
	32 320 651	-	-	-	32 320 651

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57. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Credit risk pertaining to consumer debtors is considered to be high due to the provision for impairment on these debtors being calculated.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposures are disclosed below.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Cash and cash equivalents	12 091 897	6 551 627
Receivables from exchange transactions	3 560 304	2 659 329
Receivables from non-exchange transactions	7 298 227	7 794 265
Current portion of long-term receivables	1 342	396

Market risk

Interest rate risk

The municipality has no interest bearing liabilities and is therefore only exposed to interest rate risk in regard to income and operating cash flows on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

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58. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 164 407 820 and that the municipality's current liabilities exceed its current assets by R 17 280 881.

A deficit of R2 397 830 was realised in the current year and a surplus of R8 327 122 in the prior year.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The deficit realised during the year under review in this set of financial statements may well raise doubt about the future financial sustainability of this municipality and may cause serious risks regarding service delivery to the communities within the jurisdiction of this municipality.

The ability of the municipality to continue as a going concern is dependent on a number of factors.

Unspent grants as at year end are not cash-backed. Conditional grants can only be utilised for the purpose it was allocated for. If the conditions of any grant have not been met the unspent portion must still be available in cash as the grant has been received. If the unspent portion is not cash-backed it means that that portion has been used for other purposes than for the conditional purpose of the grant. In terms of Section 33(d) of the Division of Revenue Act, 2016 any expenditure incurred in contravention of the Act must be regarded as irregular expenditure.

Unspent conditional grants as at 30 June 2020 amounted to R11 885 386 (2019: R4 098 362). Municipalities must surrender some unspent conditional grants to the National Treasury at year-end. The unspent conditional grants were more than the available cash. The municipality requested from National Treasury that certain unspent grants be rolled-over in order to spend monies on existing and new capital projects.

Consumer deposits are partial security for a future payment of an account. Deposits are considered a liability as the deposit is utilised on the account once the service is terminated. Therefore the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget. Any portion of consumer deposits that is not cash-backed must therefore be regarded as unauthorised expenditure.

The following ratio's indicate in addition to the above, an unfavourable outcome:

- The collection rate for all debtors was 91.25% - the norm is 95%.
- Net debtors days was 54 days - norm is 30 days.
- Cash coverage was less than the required norm of 1 - 3 months.
- Current ratio was 0.60 - the norm is 1.5 - 2.1.
- Creditors payment period was 69 days - the norm is 30 days.

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been significantly impacted by the pandemic. The results are still however reasonable within the norms. The municipality has assessed that no going concern issues has been noted and that the municipality can continue in operational existence for the foreseeable future.

59. Events after the reporting date

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period.

No further events which may have financial implications for the municipality and warrants disclosure in the financial statements occurred after to 30 June 2020.

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	2020 R	2019 R
60. Unauthorised expenditure		
Opening balance as previously reported	8 388 063	4 920 943
Unauthorised expenditure - operating	2 905 106	2 761 530
Unauthorised expenditure - capital	3 733 002	705 590
Opening balance as restated	15 026 171	8 388 063
Closing balance	15 026 171	8 388 063

	Actual	Final Budget	Variance	Unauthorised
Unauthorised expenditure - operating				
Vote 1 - Mayoral and Council	4 452 044	5 205 100	753 056	-
Vote 2 - Municipal Manager	2 589 970	2 966 600	376 630	-
Vote 3 - Corporate Services	8 088 891	6 600 200	(1 488 691)	1 488 691
Vote 4 - Budget and Treasury	13 138 012	17 276 873	4 138 861	-
Vote 5 - Planning and Development	414 429	988 400	573 971	-
Vote 6 - Community and Social Services	1 275 695	1 613 400	337 705	-
Vote 7 - Sport and Recreation	220 374	636 750	416 376	-
Vote 8 - Housing	227 328	207 400	(19 928)	19 928
Vote 9 - Public Safety	30 703 009	31 455 600	752 591	-
Vote 10 - Road Transport	11 408 462	12 808 600	1 400 138	-
Vote 11 - Waste Management	1 440 354	1 630 500	190 146	-
Vote 12 - Waste Water Management	2 599 926	2 672 600	72 674	-
Vote 13 - Water	3 908 375	3 425 500	(482 875)	482 875
Vote 14 - Electricity	10 825 612	9 912 000	(913 612)	913 612
	91 292 481	97 399 523	6 107 042	2 905 106
Unauthorised expenditure - capital				
Vote 6 - Community and Social Services	129 800	-	129 800	129 800
Vote 12 - Waste Water Management	1 864 071	-	1 864 071	1 864 071
Vote 13 - Water	1 052 631	9 949 254	8 896 623	1 739 130
Vote 14 - Electricity	3 003 083	4 372 000	1 368 917	-
	6 049 585	14 321 254	12 259 411	3 733 001

Disciplinary steps taken/criminal proceedings

Reasonable steps were not taken to prevent unauthorised expenditure amounting to R6 638 108, as disclosed in note 60 to the annual financial statements, as required by Section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by the overspending of the respective municipal votes.

Recoverability of unauthorised expenditure

Unauthorised expenditure incurred by the municipality in the prior year was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

61. Fruitless and wasteful expenditure

Opening balance as previously reported	170 835	43 044
Fruitless and wasteful expenditure current year	197 457	127 791
Opening balance as restated	368 292	170 835
Closing balance	368 292	170 835

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61. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Penalties on late submission of VAT201 - SARS	109 520	81 669
Interest on late submission of VAT201 - SARS	79 663	32 604
Interest on late payment of suppliers	8 274	13 518
	197 457	127 791

Fruitless and wasteful expenditure incurred by the municipality in the prior year was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R197 457, as disclosed in note 61 to the annual financial statements. The majority of the disclosed fruitless and wasteful expenditure was due to late submission of statutory obligations to SARS.

62. Irregular expenditure

Opening balance as previously reported	68 220 443	44 588 514
Expenditure current year	14 221 726	23 631 929
Opening balance as restated	82 442 169	68 220 443
Closing balance	82 442 169	68 220 443

Analysis of expenditure awaiting condonation per age classification

Current year	14 221 726	23 631 929
Prior years	68 220 443	44 588 514
	82 442 169	68 220 443

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62. Irregular expenditure (continued)		
Details of irregular expenditure		
Irregular expenditure incurred by the municipality in the prior years was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.		
Declared Irregular during previous Auditor-General Compliance Audit	-	7 605 465
During the inspection of a payment it was found that the municipality did not obtain 3 quotations as required by SCM regulation 17(1)(a). In the approval for not obtaining 3 quotations, the CFO indicated that since BMW is the original supplier, it must be serviced by the original company. Upon inspection of the related invoice it was noted that the mileage of the vehicle is 316 015km and therefore it is evident that the vehicle is not under warranty anymore or has a service plan. This payment is therefore irregular expenditure since it is in contravention of SCM regulation 17(1) as the reason for not obtaining three quotes is not reasonable.	-	30 865
Goods and services procured in terms of Regulation 32 of the Supply Chain Management Regulations in respect of the previous financial year identified during the current financial year.	-	3 115 187
In management's documentation of why 3 quotations were not submitted, it was indicated that it is impractical to obtain 3 quotations since council decided at an in-committee meeting of 13 June 2018 that a special investigation be lodged. However, no evidence could be provided how management decided to make use of Advocate SE Ferreira. This is therefore non-compliance with SCM regulation 17(1).	-	78 300
It was found that during an In-committee council meeting of 1 November 2018 council decided to appoint Advocate EW Vermaak as the prosecutor for a disciplinary hearing. In the motivation for the deviation it was documented that it was impractical due to the sensitivity of the case. No evidence could be provided for audit purposes that management established that Advocate EW Vermaak is the only person that can act as a prosecutor in a disciplinary case. This is therefore regarded as non-compliance with SCM regulation 36(1).	-	41 326
Non-compliance with SCM regulation 36(1)	-	3 300 299
Non-compliance with SCM regulations 38(1)(d)(ii) & (g)(iii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii) and 13(c)(i)	-	882 583
Non-compliance with section 67 of the Municipal Systems Act, Act No. 32 of 2000	-	120 583
One of the Directors is in the service of the state as Councillor at Laingsburg Municipality.	24 270	162 721
Procurement were done without involving SCM Unit - x3 Quotations not obtained.	74 383	152 624
Regulation 32 of the Local Government: Municipal Finance Management Act (56/2003): Municipal Supply Chain Management Regulations – the municipality procured goods and services from different service providers in terms of Section 32 Of the Municipal Supply Chain Management Regulations. These regulations were promulgated by means of Government Gazette 27636 of 30 May 2005. Although section 32 was used since its promulgation without any problems by numerous municipalities the procurement of goods and services under contracts by other organs of state is now regarded as noncompliance with the Supply Chain Management Regulations. The municipality procured goods and services under contracts secured by other organs of state during the year under review.	6 856 047	7 995 291
The declaration of interest (MBD4) was incomplete. This results in non-compliance with SCM regulation 13(c).	-	99 160
The total payments made in terms of this quotation exceeded the quotation amount with R47 524,76. Since no approval was obtained from a designated official to exceed the total amount of the quotation, this is in contradiction with SCM regulation 5.	-	47 525
Non-compliance with SCM Regulation 19 - Contract not awarded through Competitive bidding process	7 244 294	-
Non-compliance with SCM Regulation 14 - Not registered on CSD / Accredited Supplier Database	22 732	-
	14 221 726	23 631 929

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63. COVID-19

COVID-19 Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

COVID-19 - Response Expenditure

There are no prior year information available regarding expenditure in lieu of Covid-19. The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

Type of expenditure	Nature of expenditure	Supplier	Total
PPE020 Hand sanitisers and disinfectants	Inventory consumed	ANKILE SERVICES	8 073
PPE019 Surface sanitisers and disinfectants	Inventory consumed	ANKILE SERVICES	2 851
PPE020 Hand sanitisers and disinfectants	Inventory consumed	CAPRICHEM (PTY) LTD	8 839
PPE019 Surface sanitisers and disinfectants	Inventory consumed	CAPRICHEM (PTY) LTD	775
PPE011 Digital thermometer	Inventory consumed	INTROSTAT	11 213
Infrastructure - Water Tank	Inventory consumed	KOUP PRODUSENTE	2 898
PPE018 3 Layer fabric cloth masks	Inventory consumed	NATIONAL CAP FACTORY	5 520
Food parcels	Inventory consumed / transfers and subsidies	OK FOODS	45 295
PPE018 3 Layer fabric cloth masks	Inventory consumed	OK FOODS	2 449
Food parcels	Transfers and subsidies	RVJ IMPORTS	353 207
PPE015 Non-sterile examination gloves	Inventory consumed	TAKE NOTE TRADING	2 645
PPE025 Sanitising spray bottles	Inventory consumed	TAKE NOTE TRADING	7 245
Non-PPE Covid 19 related spend items - Safety Glass	Inventory consumed	VAN NIEKERK BROS GLAS	9 237
			460 247

64. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	125 807	868 357
Current year fee	500 000	500 000
Amount paid - current year	(125 807)	(1 242 550)
	500 000	125 807

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64. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Material losses		
Electricity	1 264 774	1 401 963
Water	2 110 000	3 737 930
	3 374 774	5 139 893
Laingsburg experienced an average electricity loss of R1 264 774 (2019: R1 401 963) during the 2019/2020 financial period. The percentage loss during distribution for the current year was 7.88% (2019: 11.15%).		
Laingsburg experienced an average water loss of R2 110 000 (2019: R3 737 930) during the 2019/2020 financial period. The percentage loss during distribution for the current year was 39.83% (2019: 63.48%).		
Audit fees		
Opening balance	(8 237)	(5 892)
Current year fee	1 816 207	831 352
Amount paid - current year	(1 233 339)	(833 697)
	574 631	(8 237)
PAYE, SDL and UIF		
Opening balance	17 192	4 251
Current year payroll deductions and Council Contributions	3 902 558	3 637 497
Amount paid - current year	(4 012 302)	(3 624 556)
	(92 552)	17 192
Pension and Medical Aid Deductions		
Opening balance	1 642 494	743 387
Current year payroll deductions and Council Contributions	6 105 896	5 229 086
Amount paid - current year	(5 078 132)	(4 329 979)
	2 670 258	1 642 494
VAT		
VAT receivable	2 488 557	3 061 827

All VAT returns have not been submitted timously throughout the year.

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64. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I Brown	-	53 219	53 219
M Gouws	-	389	389
	<u>-</u>	<u>53 608</u>	<u>53 608</u>
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
I Brown	395	54 667	55 062
L Potgieter	1 622	-	1 622
	<u>2 017</u>	<u>54 667</u>	<u>56 684</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
I Brown	53 219	360
M Gouws	389	180
	<u>53 608</u>	<u>540</u>
30 June 2019	Highest outstanding amount	Aging (in days)
I Brown	55 062	210

65. Deviation from supply chain management regulations

Paragraph 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Type of deviation

SCM Regulation 36(1)(a)(i)	1 093 636	1 989 088
SCM Regulation 36(1)(a)(ii)	-	151 809
SCM Regulation 36(1)(a)(v)	608 844	493 958
	<u>1 702 480</u>	<u>2 634 855</u>

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66. Budget differences		
Material differences between budget and actual amounts		
Material differences between the final budget and actual amounts are deemed material if the variance % is more than 10%.		
Below are explanations provided for these material differences.		
STATEMENT OF FINANCIAL PERFORMANCE		
REVENUE		
Interest earned - external investments		
Less interest was received on Standard Bank Money Market Account in comparison the prior year.		
Interest earned - outstanding debtors		
Interest was not charged on consumer debtors during the COVID-19 lockdown period. It was determined that rebates be given to consumers.		
Licences and permits		
Fewer licences and permits were issued due to the COVID-19 lockdown period.		
Agency services		
Due to fewer licences and permits issued, less agency services were received.		
Transfers and subsidies		
During the budget process, expenditure for several roll-over projects were included to be recognised as revenue, however several of these projects were not completed during the year and therefore claims for these projects were not completed.		
Other revenue		
Included in other revenue is actuarial gains and fair value adjustments which are not considered for budget purposes as it is a non cash item that is determined by a specialist.		
EXPENDITURE		
Depreciation and asset impairment		
The significant variance was due to underspending of capital expenditure for the year. It was anticipated that projects completed during the year will result in an increase in depreciation, however various projects still remain under construction, and therefore no depreciation was calculated.		
Finance charges		
A small provision for finance costs relating to interest on outstanding accounts were made, however due to late submission of the VAT201 returns, the Municipality incurred additional interest. The provision for employee benefits and landfill sites are dependant on the outcome of the Actuarial Valuations and report on the rehabilitation of landfill sites.		
Contracted services and other expenditure		
Less expenditure was incurred during the year due to the COVID-19 lockdown. This resulted in procurement and contract management processes being halted.		
Bulk purchases		

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66. Budget differences (continued)		
Increase in bulk purchases due to Eskom invoices captured before year-end, which were paid after year-end.		
Transfers and subsidies		
Due to the COVID-19 lockdown and the increase in unemployment, additional assistance was provided to the community.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets were not appropriately budgeted for. The increase could not have been anticipated due to the asset registers being finalised for year-end purposes.		
CURRENT ASSETS		
Cash and cash equivalents		
The significant variance was due to underspending of capital expenditure during the COVID-19 lockdown period and this also resulted in an increase in unspent conditional grants.		
Receivables from non-exchange transactions		
Due to the effects of COVID-19 the payment percentage of consumers reduced.		
Inventory		
Due to the COVID-19 lockdown less purchases were made.		
VAT receivable		
A recalculation of the VAT apportionment was performed which resulted in moneys owing to SARS and less expenditure incurred during the which could not be claimed from SARS.		
NON-CURRENT LIABILITIES		
Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability is not a funded arrangement, and the purpose of the valuation is to enable the Municipality to make an appropriate Financial Statement provision.		
Provisions		
The Provision for the Rehabilitation of the Landfill Site is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision. The non-current portion as disclosed in the audited annual financial statements for the year ended 30 June 2020 was reclassified to current liabilities.		
CURRENT LIABILITIES		
Unspent conditional grants		
The municipality received additional grants during the financial year due to COVID-19, which they did not budget for. The reason being that these grants were determined based on the needs and service delivery to all consumers as well as to uphold the infrastructure of Laingsburg. As at year-end these grants were not fully spent.		
Employee benefit obligation		

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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66. Budget differences (continued)

Actuarial Valuation of the Long Service Award liability and Post Retirement Medical Aid subsidy liability is not a funded arrangement, and the purpose of the valuation is to enable the Municipality to make an appropriate Financial Statement provision.

Provisions

The Provision for the Rehabilitation of the Landfill Site is not a funded arrangement, and the purpose of the evaluation is to enable the Municipality to make an appropriate Financial Statement provision. The non-current portion as disclosed in the audited annual financial statements for the year ended 30 June 2020 was reclassified to current liabilities.

Provision for Workmen's Compensation was made which was not budgeted for.

NET ASSETS

Accumulated surplus

The significant decrease was due to fewer prior period corrections.

CASH FLOW STATEMENT

NET CASH FROM OPERATING ACTIVITIES

Service charges

Less revenue was collected due to the COVID-19 lockdown period. It was also determined that rebates be given to consumers.

Government grants - capital

During the budget process expenditure for several roll-over projects were included to be recognised as revenue, however several of these projects were not completed during the year and therefore claims for these projects were not completed.

Interest

Interest was not charged on consumer debtors during the COVID-19 lockdown period. It was determined that rebates be given to consumers.

Finance charges

Interest was incurred due to late submission of VAT returns resulting in an increase in finance charges.

NET CASH FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Due to the COVID-19 lockdown projects were placed on hold, therefore less capital expenditure incurred.

CASH FLOWS FROM FINANCING ACTIVITIES

Consumer deposits

A decrease in consumer deposits resulted due to fewer deposit top-ups during the financial year.

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2020											
Financial Performance											
Property rates	4 272 800	(156 880)	4 115 920	-		4 115 920	4 173 684		57 764	101 %	98 %
Service charges	20 952 500	(308 700)	20 643 800	-		20 643 800	18 835 725		(1 808 075)	91 %	90 %
Interest earned - external investments	812 000	28 700	840 700	-		840 700	516 981		(323 719)	61 %	64 %
Transfers recognised - operational	22 612 250	4 952 846	27 565 096	-		27 565 096	25 278 251		(2 286 845)	92 %	112 %
Interest earned - exchange transactions	39 500	469 000	508 500	-		508 500	343 237		(165 263)	67 %	869 %
Interest earned - non-exchange transactions	383 400	(180 000)	203 400	-		203 400	136 696		(66 704)	67 %	36 %
Rental from facilities and equipment	725 100	729 800	1 454 900	-		1 454 900	1 482 439		27 539	102 %	204 %
Interest earned - current assets	-	-	-	-		-	81 940		81 940	DIV/0 %	DIV/0 %
Agency services	121 800	35 000	156 800	-		156 800	132 227		(24 573)	84 %	109 %
Interest, dividend and rent on land	-	1 300	1 300	-		1 300	-		(1 300)	- %	DIV/0 %
Licences and permits	1 066 600	(192 000)	874 600	-		874 600	513 151		(361 449)	59 %	48 %
Fines, penalties and forfeits	31 774 600	(2 038 400)	29 736 200	-		29 736 200	30 177 348		441 148	101 %	95 %
Sale of goods	135 700	55 100	190 800	-		190 800	151 658		(39 142)	79 %	112 %
Other revenue	10 100	-	10 100	-		10 100	1 923 250		1 913 150	19 042 %	19 042 %
Total revenue (excluding capital transfers and contributions)	82 906 350	3 395 766	86 302 116	-		86 302 116	83 746 587		(2 555 529)	97 %	101 %
Employee costs	(26 868 700)	(38 430)	(26 907 130)	-	-	(26 907 130)	(25 549 508)	-	1 357 622	95 %	95 %

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Remuneration of councillors	(3 128 300)	-	(3 128 300)	-	-	(3 128 300)	(3 129 153)	-	(853)	100 %	100 %
Debt impairment	(26 442 400)	1 050 800	(25 391 600)			(25 391 600)	(27 297 292)	-	(1 905 692)	108 %	103 %
Depreciation and asset impairment	(9 732 375)	(67 960)	(9 800 335)			(9 800 335)	(5 951 306)	-	3 849 029	61 %	61 %
Finance charges	(6 700)	-	(6 700)	-	-	(6 700)	(2 356 772)	-	(2 350 072)	35 176 %	35 176 %
Lease rentals on operating lease	(258 400)	(67 100)	(325 500)	-	-	(325 500)	(460 504)	-	(135 004)	141 %	178 %
Bulk purchases	(7 923 300)	(460 000)	(8 383 300)	-	-	(8 383 300)	(9 888 165)	-	(1 504 865)	118 %	125 %
Contracted services	(6 320 500)	(1 217 228)	(7 537 728)	-	-	(7 537 728)	(5 445 073)	-	2 092 655	72 %	86 %
Inventory consumed	(890 200)	(1 104 840)	(1 995 040)	-	-	(1 995 040)	(2 085 943)	-	(90 903)	105 %	234 %
Transfers and grants	(740 200)	471 900	(268 300)	-	-	(268 300)	(455 033)	-	(186 733)	170 %	61 %
Other expenditure	(11 741 300)	(1 914 290)	(13 655 590)	-	-	(13 655 590)	(8 673 733)	-	4 981 857	64 %	74 %
Total expenditure	(94 052 375)	(3 347 148)	(97 399 523)	-	-	(97 399 523)	(91 292 482)	-	6 107 041	94 %	97 %
Surplus/(Deficit)	(11 146 025)	48 618	(11 097 407)	-		(11 097 407)	(7 545 895)		3 551 512	68 %	68 %
Transfers recognised - capital	11 723 350	2 419 354	14 142 704	-		14 142 704	5 148 064		(8 994 640)	36 %	44 %
Surplus (Deficit) after capital transfers and contributions	577 325	2 467 972	3 045 297	-		3 045 297	(2 397 831)		(5 443 128)	(79)%	(415)%
Surplus/(Deficit) for the year	577 325	2 467 972	3 045 297	-		3 045 297	(2 397 831)		(5 443 128)	(79)%	(415)%

Laingsburg Local Municipality

(Registration number WC051)

Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	12 232 950	2 088 304	14 321 254	-		14 321 254	7 347 571		(6 973 683)	51 %	60 %
Sources of capital funds											
Transfers recognised - capital	12 232 950	2 088 304	14 321 254	-		14 321 254	7 347 571		(6 973 683)	51 %	60 %
Cash flows											
Net cash from (used) operating	10 403 539	4 665 457	15 068 996	-		15 068 996	12 809 375		(2 259 621)	85 %	123 %
Net cash from (used) investing	(11 976 198)	(2 222 120)	(14 198 318)	-		(14 198 318)	(7 292 935)		6 905 383	51 %	61 %
Net cash from (used) financing	17 474	29 707	47 181	-		47 181	23 830		(23 351)	51 %	136 %
Net increase/(decrease) in cash and cash equivalents	(1 555 185)	2 473 044	917 859	-		917 859	5 540 270		4 622 411	604 %	(356)%
Cash and cash equivalents at the beginning of the year	6 551 627	-	6 551 627	-		6 551 627	6 551 627		-	100 %	100 %
Cash and cash equivalents at year end	4 996 442	2 473 044	7 469 486	-		7 469 486	12 091 897		(4 622 411)	162 %	242 %

Appendix A
June 2020

Schedule of external loans as at 30 June 2020

Loan Number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Lease liability							
Copiers	64603	11/11/2020	23 198	(16 972)	-	6 226	-
			23 198	(16 972)	-	6 226	-
Total external loans							
Lease liability			23 198	(16 972)	-	6 226	-
			23 198	(16 972)	-	6 226	-

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation							Accumulated depreciation and impairment						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land	17 735 141	-	-	-	-	-	17 735 141	-	-	-	-	-	17 735 141
Buildings	10 089 021	129 800	-	-	-	-	10 218 821	(7 571 067)	-	-	(82 887)	-	2 564 867
	27 824 162	129 800	-	-	-	-	27 953 962	(7 571 067)	-	-	(82 887)	-	20 300 008

Infrastructure

Roads, Pavements & Bridges	23 725 388	-	-	-	-	-	23 725 388	(7 411 782)	-	-	(553 236)	-	15 760 370
Storm water	99 825 938	-	-	-	-	-	99 825 938	(59 264 359)	-	-	(1 965 222)	-	38 596 357
Water	49 980 868	1 163 098	(579 863)	-	-	-	50 564 103	(14 261 073)	572 417	-	(897 122)	-	35 978 325
Sanitation	30 085 460	1 864 071	(19 880)	-	-	-	31 929 651	(14 123 606)	19 248	-	(1 079 319)	-	16 745 974
Electrical	24 861 881	3 716 915	(41 840)	-	-	-	28 536 956	(6 784 412)	41 840	-	(281 988)	-	21 512 396
Refuse	1 346 380	-	-	-	-	-	1 346 380	(1 305 922)	-	-	(4 197)	-	36 261
	229 825 915	6 744 084	(641 583)	-	-	-	235 928 416	(103 151 154)	633 505	-	(4 781 084)	-	128 629 683

Community Assets

Markets	1 581 983	-	-	-	-	-	1 581 983	(787 700)	-	-	(8 825)	-	785 458
Halls	3 157 292	-	-	-	-	-	3 157 292	(2 230 994)	-	-	(31 704)	-	894 594
Outdoor facilities	4 488 004	71 952	-	-	-	-	4 559 956	(2 156 137)	-	-	(153 944)	-	2 249 875
Cemeteries/Crematoria	2 499 143	-	-	-	-	-	2 499 143	(962 711)	-	-	(85 011)	-	1 451 421
Indoor facilities	4 874 355	-	-	-	-	-	4 874 355	(3 080 635)	-	-	(47 138)	-	1 746 582
Parks	604 544	-	-	-	-	-	604 544	(202 565)	-	-	(31 832)	-	370 147
Museums	2 515 630	-	-	-	-	-	2 515 630	(1 568 943)	-	-	(31 029)	-	915 658
Libraries	1 829 955	-	-	-	-	-	1 829 955	(1 101 945)	-	-	(45 756)	-	682 254
	21 550 906	71 952	-	-	-	-	21 622 858	(12 091 630)	-	-	(435 239)	-	9 095 989

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation							Accumulated depreciation and impairment						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Historical monuments	43 354	-	-	-	-	-	43 354	-	-	-	-	-	43 354
	43 354	-	-	-	-	-	43 354	-	-	-	-	-	43 354

Specialised vehicles

Other assets

Machinery and equipment	2 521 918	86 500	-	-	-	-	2 608 418	(1 407 900)	-	-	(94 341)	-	(1 502 241)	1 106 177
Computer equipment	523 250	13 031	-	-	-	-	536 281	(270 563)	-	-	(42 908)	-	(313 471)	222 810
Transport assets	5 304 459	297 035	-	-	-	-	5 601 494	(2 386 566)	-	-	(282 671)	-	(2 669 237)	2 932 257
Furniture and office equipment	1 594 443	5 169	-	-	-	-	1 599 612	(884 683)	-	-	(77 194)	-	(961 877)	637 735
Furniture and office equipment - leased	61 898	-	-	-	-	-	61 898	(47 999)	-	-	(6 949)	-	(54 948)	6 950
	10 005 968	401 735	-	-	-	-	10 407 703	(4 997 711)	-	-	(504 063)	-	(5 501 774)	4 905 929

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2020

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	27 824 162	129 800	-	-	-	-	27 953 962	(7 571 067)	-	-	(82 887)	-	(7 653 954)	20 300 008
Infrastructure	229 825 915	6 744 084	(641 583)	-	-	-	235 928 416	(103 151 154)	633 505	-	(4 781 084)	-	(107 298 733)	128 629 683
Community Assets	21 550 906	71 952	-	-	-	-	21 622 858	(12 091 630)	-	-	(435 239)	-	(12 526 869)	9 095 989
Heritage assets	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
Other assets	10 005 968	401 735	-	-	-	-	10 407 703	(4 997 711)	-	-	(504 063)	-	(5 501 774)	4 905 929
	289 250 305	7 347 571	(641 583)	-	-	-	295 956 293	(127 811 562)	633 505	-	(5 803 273)	-	(132 981 330)	162 974 963
Intangible assets														
Computer software	1 697 511	-	-	-	-	-	1 697 511	(1 327 406)	-	-	(83 855)	-	(1 411 261)	286 250
	1 697 511	-	-	-	-	-	1 697 511	(1 327 406)	-	-	(83 855)	-	(1 411 261)	286 250
Investment properties														
Investment property	24 351 496	-	-	-	-	-	24 351 496	(1 505 825)	-	-	(64 177)	-	(1 570 002)	22 781 494
	24 351 496	-	-	-	-	-	24 351 496	(1 505 825)	-	-	(64 177)	-	(1 570 002)	22 781 494
Total														
Land and buildings	27 824 162	129 800	-	-	-	-	27 953 962	(7 571 067)	-	-	(82 887)	-	(7 653 954)	20 300 008
Infrastructure	229 825 915	6 744 084	(641 583)	-	-	-	235 928 416	(103 151 154)	633 505	-	(4 781 084)	-	(107 298 733)	128 629 683
Community Assets	21 550 906	71 952	-	-	-	-	21 622 858	(12 091 630)	-	-	(435 239)	-	(12 526 869)	9 095 989
Heritage assets	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
Other assets	10 005 968	401 735	-	-	-	-	10 407 703	(4 997 711)	-	-	(504 063)	-	(5 501 774)	4 905 929
Intangible assets	1 697 511	-	-	-	-	-	1 697 511	(1 327 406)	-	-	(83 855)	-	(1 411 261)	286 250
Investment properties	24 351 496	-	-	-	-	-	24 351 496	(1 505 825)	-	-	(64 177)	-	(1 570 002)	22 781 494
	315 299 312	7 347 571	(641 583)	-	-	-	322 005 300	(130 644 793)	633 505	-	(5 951 305)	-	(135 962 593)	186 042 707

Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation						Accumulated depreciation and impairment							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land	17 735 141	-	-	-	-	17 735 141	-	-	-	-	-	-	17 735 141
Buildings	10 089 021	-	-	-	-	10 089 021	(7 488 180)	-	-	(82 887)	-	(7 571 067)	2 517 954
Landfill Sites (Separate for AFS purposes)	17 381 112	-	-	-	292 376	17 673 488	(17 381 112)	-	-	(292 376)	-	(17 673 488)	-
	45 205 274	-	-	-	292 376	45 497 650	(24 869 292)	-	-	(375 263)	-	(25 244 555)	20 253 095

Infrastructure

Electricity	21 555 928	2 397 572	-	-	-	23 953 500	(6 548 780)	-	-	(235 612)	-	(6 784 392)	17 169 108
Storm water	96 578 199	-	-	-	-	96 578 199	(54 662 476)	-	-	(1 899 092)	-	(56 561 568)	40 016 631
Roads, pavements & bridges	26 973 127	-	-	-	-	26 973 127	(9 493 906)	-	-	(620 668)	-	(10 114 574)	16 858 553
Sanitation	29 513 840	571 620	-	-	-	30 085 460	(13 044 288)	-	-	(1 079 319)	-	(14 123 607)	15 961 853
Water	39 855 205	11 034 044	-	-	-	50 889 249	(13 532 786)	-	-	(728 287)	-	(14 261 073)	36 628 176
Refuse	1 346 380	-	-	-	-	1 346 380	(1 301 725)	-	-	(4 197)	-	(1 305 922)	40 458
	215 822 679	14 003 236	-	-	-	229 825 915	(98 583 961)	-	-	(4 567 175)	-	(103 151 136)	126 674 779

Community Assets

Markets	1 581 983	-	-	-	-	1 581 983	(778 875)	-	-	(8 825)	-	(787 700)	794 283
Halls	3 157 292	-	-	-	-	3 157 292	(2 199 290)	-	-	(31 704)	-	(2 230 994)	926 298
Outdoor facilities	2 312 929	-	-	-	-	2 312 929	(1 612 945)	-	-	(24 703)	-	(1 637 648)	675 281
Cemeteries/Crematoria	2 499 143	-	-	-	-	2 499 143	(877 701)	-	-	(85 011)	-	(962 712)	1 536 431
Indoor facilities	4 874 355	-	-	-	-	4 874 355	(3 033 497)	-	-	(47 138)	-	(3 080 635)	1 793 720
Parks	2 779 619	-	-	-	-	2 779 619	(557 423)	-	-	(163 631)	-	(721 054)	2 058 585
Museums	2 515 630	-	-	-	-	2 515 630	(1 537 914)	-	-	(31 029)	-	(1 568 943)	946 687
Libraries	1 829 955	-	-	-	-	1 829 955	(1 056 188)	-	-	(45 756)	-	(1 101 944)	728 011
	21 550 906	-	-	-	-	21 550 906	(11 653 833)	-	-	(437 797)	-	(12 091 630)	9 459 276

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Historical monuments	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
Specialised vehicles														
Fire	1 400 000	-	-	-	-	-	1 400 000	(145 422)	-	-	(109 094)	-	(254 516)	1 145 484
	1 400 000	-	-	-	-	-	1 400 000	(145 422)	-	-	(109 094)	-	(254 516)	1 145 484
Other assets														
Transport assets	3 934 793	-	(30 334)	-	-	-	3 904 459	(1 931 620)	29 310	-	(204 148)	(25 591)	(2 132 049)	1 772 410
Machinery and equipment	2 569 428	95 858	(143 367)	-	-	-	2 521 919	(1 438 656)	129 042	-	(98 184)	(102)	(1 407 900)	1 114 019
Computer equipment	521 536	34 694	(32 980)	-	-	-	523 250	(237 314)	20 651	-	(51 650)	(2 250)	(270 563)	252 687
Furniture and office equipment	1 978 403	18 181	(402 142)	-	-	-	1 594 442	(1 125 888)	356 450	-	(112 895)	(2 351)	(884 684)	709 758
Leased assets	308 354	-	(246 456)	-	-	-	61 898	(237 413)	246 456	-	(57 043)	-	(48 000)	13 898
	9 312 514	148 733	(855 279)	-	-	-	8 605 968	(4 970 891)	781 909	-	(523 920)	(30 294)	(4 743 196)	3 862 772

Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	45 205 274	-	-	-	-	292 376	45 497 650	(24 869 292)	-	-	(375 263)	-	(25 244 555)	20 253 095
Infrastructure	215 822 679	14 003 236	-	-	-	-	229 825 915	(98 583 961)	-	-	(4 567 175)	-	(103 151 136)	126 674 779
Community Assets	21 550 906	-	-	-	-	-	21 550 906	(11 653 833)	-	-	(437 797)	-	(12 091 630)	9 459 276
Heritage assets	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
Specialised vehicles	1 400 000	-	-	-	-	-	1 400 000	(145 422)	-	-	(109 094)	-	(254 516)	1 145 484
Other assets	9 312 514	148 733	(855 279)	-	-	-	8 605 968	(4 970 891)	781 909	-	(523 920)	(30 294)	(4 743 196)	3 862 772
	293 334 727	14 151 969	(855 279)	-	-	292 376	306 923 793	(140 223 399)	781 909	-	(6 013 249)	(30 294)	(145 485 033)	161 438 760
Intangible assets														
Computer software	1 686 053	11 458	-	-	-	-	1 697 511	(1 244 490)	-	-	(82 917)	-	(1 327 407)	370 104
	1 686 053	11 458	-	-	-	-	1 697 511	(1 244 490)	-	-	(82 917)	-	(1 327 407)	370 104
Investment properties														
Investment property	24 351 496	-	-	-	-	-	24 351 496	(1 441 648)	-	-	(64 177)	-	(1 505 825)	22 845 671
	24 351 496	-	-	-	-	-	24 351 496	(1 441 648)	-	-	(64 177)	-	(1 505 825)	22 845 671
Total														
Land and buildings	45 205 274	-	-	-	-	292 376	45 497 650	(24 869 292)	-	-	(375 263)	-	(25 244 555)	20 253 095
Infrastructure	215 822 679	14 003 236	-	-	-	-	229 825 915	(98 583 961)	-	-	(4 567 175)	-	(103 151 136)	126 674 779
Community Assets	21 550 906	-	-	-	-	-	21 550 906	(11 653 833)	-	-	(437 797)	-	(12 091 630)	9 459 276
Heritage assets	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	43 354
Specialised vehicles	1 400 000	-	-	-	-	-	1 400 000	(145 422)	-	-	(109 094)	-	(254 516)	1 145 484
Other assets	9 312 514	148 733	(855 279)	-	-	-	8 605 968	(4 970 891)	781 909	-	(523 920)	(30 294)	(4 743 196)	3 862 772
Intangible assets	1 686 053	11 458	-	-	-	-	1 697 511	(1 244 490)	-	-	(82 917)	-	(1 327 407)	370 104
Investment properties	24 351 496	-	-	-	-	-	24 351 496	(1 441 648)	-	-	(64 177)	-	(1 505 825)	22 845 671
	319 372 276	14 163 427	(855 279)	-	-	292 376	332 972 800	(142 909 537)	781 909	-	(6 160 343)	(30 294)	(148 318 265)	184 654 535

Segmental Statement of Financial Performance for the year ended

Prior Year			Current Year		
Actual Income	Actual Expenditure	Surplus /(Deficit)	Actual Income	Actual Expenditure	Surplus /(Deficit)
Rand	Rand	Rand	Rand	Rand	Rand
Municipality					
6 408 671	8 158 032	(1 749 361) Executive and Council	8 988 571	7 089 124	1 899 447
46 780 276	21 238 518	25 541 758 Finance and Administration	35 773 193	20 635 231	15 137 962
1 273 950	1 351 911	(77 961) Community and Social Services	1 266 219	1 391 785	(125 566)
4 079	425 381	(421 302) Sport and Recreation	1 187	517 665	(516 478)
33 669 733	34 983 149	(1 313 416) Public Safety	30 689 185	33 889 206	(3 200 021)
15 581	285 033	(269 452) Housing	12 351	318 728	(306 377)
1 601	5 644	(4 043) Health	-	84 248	(84 248)
-	748 198	(748 198) Planning and Development	296	878 229	(877 933)
2 741 855	13 714 929	(10 973 074) Road Transport	2 387 083	15 512 602	(13 125 519)
14 378 200	12 741 625	1 636 575 Energy Sources	14 565 959	16 044 002	(1 478 043)
2 904 893	5 912 092	(3 007 199) Water Management	4 787 836	5 499 641	(711 805)
2 732 471	3 036 308	(303 837) Waste Water Management	3 006 182	3 790 797	(784 615)
2 263 935	2 234 047	29 888 Waste Management	4 104 669	2 258 854	1 845 815
-	13 248	(13 248) Other	-	70 448	(70 448)
(14 877 633)	(14 877 633)	- Less: Inter-Departmental Charges	(17 390 535)	(17 390 535)	-
98 297 612	89 970 482	8 327 130	88 192 196	90 590 025	(2 397 829)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Forecast # 1 2020 Act. Bal. Rand	Forecast # 1 2020 Adjusted budget Rand	Variance Rand	Var
Revenue				
Sale of goods	151 657	190 800	(39 143)	(20,5)
Fair value adjustments	1 083 870	-	1 083 870	-
Service charges	18 835 725	20 643 800	(1 808 075)	(8,8)
Rental of facilities and equipment	1 482 439	1 454 900	27 539	1,9
Interest earned - exchange transactions	343 237	508 500	(165 263)	(32,5)
Interest earned - current assets	81 940	-	81 940	-
Agency services	132 227	156 800	(24 573)	(15,7)
Licences and permits	513 151	874 600	(361 449)	(41,3)
Property rates	4 173 684	4 115 920	57 764	1,4
Interest earned - non-exchange transactions	136 696	203 400	(66 704)	(32,8)
Government grants and subsidies - operating	25 278 251	27 565 096	(2 286 845)	(8,3)
Government grants and subsidies - capital	5 148 064	14 142 704	(8 994 640)	(63,6)
Fines, penalties and forfeits	30 177 348	29 736 200	441 148	1,5
Other revenue	82 288	10 100	72 188	714,7
Gain on disposal of assets	54 636	-	54 636	-
Interest earned - external investments and bank accounts	516 981	840 700	(323 719)	(38,5)
Actuarial gains	702 456	1 300	701 156	53 935,1
	88 894 650	100 444 820	(11 550 170)	(11,5)
Expenses				
Employee related costs	(25 549 509)	(26 907 130)	1 357 621	(5,0)
Remuneration of councillors	(3 129 153)	(3 128 300)	(853)	-
Inventory consumed	(2 085 943)	(1 995 040)	(90 903)	4,6
Depreciation and amortisation	(5 951 306)	(9 800 335)	3 849 029	(39,3)
Loss on disposal of assets	(8 079)	-	(8 079)	-
Impairments	-	-	-	-
Finance costs	(2 356 772)	(6 700)	(2 350 072)	35 075,7
Debt Impairment	(27 297 291)	(25 391 600)	(1 905 691)	7,5
Lease rentals on operating lease	(460 504)	(325 500)	(135 004)	41,5
Bulk purchases	(9 888 165)	(8 383 300)	(1 504 865)	18,0
Contracted services	(5 445 073)	(7 537 728)	2 092 655	(27,8)
Transfers and Subsidies	(455 033)	(268 300)	(186 733)	69,6
Operational cost	(8 665 653)	(13 655 590)	4 989 937	(36,5)
	(91 292 481)	(97 399 523)	6 107 042	(6,3)
	(2 397 831)	3 045 297	(5 443 128)	(178,7)

Budget Analysis of Capital Expenditure as at 30 June 2020
Yearly **Yearly**

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %
Municipality				
Executive and Council	-	-	-	-
Finance and Administration	129 800	-	(129 800)	-
Planning and Development/Economic Development/Plan	-	-	-	-
Health/Clinics	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-
Housing	-	-	-	-
Public Safety/Police	-	-	-	-
Sport and Recreation	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-
Waste Water Management/Sewerage	1 864 071	-	(1 864 071)	-
Road Transport/Roads	-	-	-	-
Water/Water Distribution	1 052 631	9 949 254	8 896 623	89
Electricity /Electricity Distribution	3 003 083	4 372 000	1 368 917	31
Other/Air Transport	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	6 049 585	14 321 254	8 271 669	58

APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2019	Correction of Error	Restated Balance 30 June 2019	Contributions during the year	Contributions withheld	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020
<u>National Government Grants</u>									
Equitable Share	-	-	-	15 017 000	1 556 630	-	(16 573 630)	-	-
Finance Management Grant	411 691	(351 190)	60 501	1 800 000	-	-	(1 860 501)	-	-
Municipal System Improvement Grant	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	1 569 813	(1 569 813)	-	6 692 000	-	-	(334 600)	(2 369 889)	3 987 511
Integrated National Electrification Grant	-	-	-	2 372 000	-	-	-	(2 372 000)	-
Expanded Public Works Program	-	-	-	1 238 000	-	-	(1 238 000)	-	-
Department of Water Affairs (DWA)	-	1 556 630	1 556 630	-	-	(1 556 630)	-	-	-
Total National Government Grants	1 981 504	(364 373)	1 617 131	27 119 000	1 556 630	(1 556 630)	(20 006 731)	(4 741 889)	3 987 511
<u>Provincial Government Grants</u>									
Local Government Graduate Internship Grant	-	351 190	351 190	380 000	-	-	(1 500)	-	729 690
Library	-	-	-	1 251 000	-	-	(1 251 000)	-	-
Municipal Draught Relief Grant	-	-	-	2 600 000	-	-	-	-	2 600 000
Matjiesfontein Sport Promotion	71 575	-	71 575	-	-	-	-	(71 575)	-
Thusong Upholstery Project	98 037	-	98 037	-	-	-	-	(55 798)	42 239
SMME Booster Funds	-	-	-	1 483 148	-	-	(194 418)	-	1 288 730
Municipal Drought Support Grant	343 491	-	343 491	3 732 989	-	-	(1 642 756)	-	2 433 723
Municipal Drought Support	-	-	-	-	-	-	-	-	-
Grant MFIP	1 293 446	-	1 293 446	1 125 000	-	(188 500)	(1 826 454)	-	403 492
WC: Disaster Grant Covid-19	-	-	-	400 000	-	-	(400 000)	-	-
WC: Disaster Grant Covid-19	-	-	-	268 000	-	-	(268 000)	-	-
Community Development Workers	-	-	-	186 000	-	-	(186 000)	-	-
Total Provincial Government Grants	1 806 548	351 190	2 157 738	11 426 137	-	(188 500)	(5 770 128)	(127 373)	7 497 874
<u>District Municipality</u>									
CKDM COVID-19 GRANT	-	-	-	400 000	-	-	-	-	400 000
Total District Municipality Grants	-	-	-	400 000	-	-	-	-	400 000
Total Grants	3 788 052	(13 183)	3 774 869	38 945 137	1 556 630	(1 745 130)	(25 776 859)	(4 869 262)	11 885 385

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2020

	2020/2019						2019/2018					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional												
Municipal governance and administration	34 585 400	8 381 520	42 966 920	29 905 320		(13 061 600)	70 %	86 %				40 130 501
Executive and council	2 520 600	(90 000)	2 430 600	2 404 871		(25 729)	99 %	95 %				1 048 391
Finance and administration	32 064 800	8 471 520	40 536 320	27 500 449		(13 035 871)	68 %	86 %				39 082 110
Internal audit	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	34 139 700	(2 246 400)	31 893 300	31 968 942		75 642	100 %	94 %				34 964 944
Community and social services	1 265 300	4 000	1 269 300	1 266 219		(3 081)	100 %	100 %				1 273 950
Sport and recreation	23 800	(20 000)	3 800	1 187		(2 613)	31 %	5 %				4 079
Public safety	32 839 000	(2 230 400)	30 608 600	30 689 185		80 585	100 %	93 %				33 669 733
Housing	11 200	-	11 200	12 351		1 151	110 %	110 %				15 581
Health	400	-	400	-		(400)	- %	- %				1 601
Economic and environmental services	1 321 300	-	1 321 300	1 311 839		(9 461)	99 %	99 %				1 100 135
Planning and development	-	-	-	296		296	DIV/0 %	DIV/0 %				-
Road transport	1 321 300	-	1 321 300	1 311 543		(9 757)	99 %	99 %				1 100 135
Environmental protection	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Trading services	24 583 300	(320 000)	24 263 300	25 708 551		1 445 251	106 %	105 %				22 176 147
Energy sources	15 413 900	(200 000)	15 213 900	14 522 633		(691 267)	95 %	94 %				14 291 472
Water management	4 008 500	(300 000)	3 708 500	4 755 286		1 046 786	128 %	119 %				2 904 893
Waste water management	2 775 600	120 000	2 895 600	2 899 952		4 352	100 %	104 %				2 731 632
Waste management	2 385 300	60 000	2 445 300	3 530 680		1 085 380	144 %	148 %				2 248 150
Other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	94 629 700	5 815 120	100 444 820	88 894 652		(11 550 168)	89 %	94 %				98 371 727

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2020

	2020/2019						2019/2018					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional												
Governance and administration	27 854 975	4 134 798	31 989 773	28 201 369	-	(3 788 404)	88 %	101 %	-	-	-	29 454 039
Executive and council	9 682 000	(1 510 300)	8 171 700	7 042 014	-	(1 129 686)	86 %	73 %	-	-	-	8 158 032
Finance and administration	18 172 975	5 645 098	23 818 073	21 159 355	-	(2 658 718)	89 %	116 %	-	-	-	21 296 007
Internal audit	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	36 208 400	(2 302 650)	33 905 750	32 426 406	80 776	(1 479 344)	96 %	90 %	-	-	-	33 673 359
Community and social services	1 615 300	(23 500)	1 591 800	1 193 247	-	(398 553)	75 %	74 %	-	-	-	1 185 951
Sport and recreation	598 600	30 750	629 350	220 374	-	(408 976)	35 %	37 %	-	-	-	169 662
Public safety	33 783 500	(2 327 900)	31 455 600	30 703 009	-	(752 591)	98 %	91 %	-	-	-	32 104 829
Housing	207 400	-	207 400	227 328	19 928	19 928	110 %	110 %	-	-	-	209 193
Health	3 600	18 000	21 600	82 448	60 848	60 848	382 %	2 290 %	-	-	-	3 724
Economic and environmental services	13 237 000	560 000	13 797 000	11 822 891	-	(1 974 109)	86 %	89 %	-	-	-	10 049 767
Planning and development	1 324 400	(336 000)	988 400	414 429	-	(573 971)	42 %	31 %	-	-	-	334 678
Road transport	11 912 600	896 000	12 808 600	11 408 462	-	(1 400 138)	89 %	96 %	-	-	-	9 715 089
Environmental protection	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	16 340 900	1 299 700	17 640 600	18 774 267	1 394 828	1 133 667	106 %	115 %	-	-	-	16 856 944
Energy sources	9 270 000	642 000	9 912 000	10 825 612	913 612	913 612	109 %	117 %	-	-	-	8 683 465
Water management	2 932 500	505 000	3 437 500	3 918 716	481 216	481 216	114 %	134 %	-	-	-	4 558 404
Waste water management	2 513 000	147 600	2 660 600	2 589 585	-	(71 015)	97 %	103 %	-	-	-	2 062 748
Waste management	1 625 400	5 100	1 630 500	1 440 354	-	(190 146)	88 %	89 %	-	-	-	1 552 327
Other	411 100	(344 700)	66 400	67 548	1 148	1 148	102 %	16 %	-	-	-	-
Other	411 100	(344 700)	66 400	67 548	1 148	1 148	102 %	16 %	-	-	-	10 488
Total Expenditure - Functional	94 052 375	3 347 148	97 399 523	91 292 481	1 476 752	(6 107 042)	94 %	97 %	-	-	-	90 044 597
Surplus/(Deficit) for the year	577 325	2 467 972	3 045 297	(2 397 829)		(5 443 126)	(79)%	(415)%				8 327 130

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2020

	2020/2019							2019/2018				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote												
Vote 1 - Mayor & Council	2 520 600	(90 000)	2 430 600	2 404 871		(25 729)	99 %	95 %				1 048 391
Vote 2 - Municipal Manager	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Vote 3 - Corporate Services	1 632 000	1 492 200	3 124 200	2 780 350		(343 850)	89 %	170 %				2 479 241
Vote 4 - Budget & Treasury	30 432 800	6 979 320	37 412 120	24 720 099		(12 692 021)	66 %	81 %				36 602 869
Vote 5 - Planning & Development	-	-	-	296		296	DIV/0 %	DIV/0 %				-
Vote 6 - Community & Social Services	1 265 700	4 000	1 269 700	1 266 219		(3 481)	100 %	100 %				1 275 550
Vote 7 - Sport & Recreation	23 800	(20 000)	3 800	1 187		(2 613)	31 %	5 %				4 079
Vote 8 - Housing	11 200	-	11 200	12 351		1 151	110 %	110 %				15 581
Vote 9 - Public Safety	32 839 000	(2 230 400)	30 608 600	30 689 185		80 585	100 %	93 %				33 669 733
Vote 10 - Road Transport	1 321 300	-	1 321 300	1 311 543		(9 757)	99 %	99 %				1 100 135
Vote 11 - Waste Management	2 385 300	60 000	2 445 300	3 530 680		1 085 380	144 %	148 %				2 248 150
Vote 12 - Waste Water Management	2 775 600	120 000	2 895 600	2 899 952		4 352	100 %	104 %				2 731 632
Vote 13 - Water	4 008 500	(300 000)	3 708 500	4 755 286		1 046 786	128 %	119 %				2 904 893
Vote 14 - Electricity	15 413 900	(200 000)	15 213 900	14 522 633		(691 267)	95 %	94 %				14 291 472
	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	94 629 700	5 815 120	100 444 820	88 894 652		(11 550 168)	89 %	94 %				98 371 726
Expenditure by Vote to be appropriated												
Vote 1 - Mayor & Council	6 338 900	(1 133 800)	5 205 100	4 452 044	-	(753 056)	86 %	70 %	-	-	-	5 127 565
Vote 2 - Municipal Manager	3 343 100	(376 500)	2 966 600	2 589 970	-	(376 630)	87 %	77 %	-	-	-	3 035 029
Vote 3 - Corporate Services	6 738 300	(138 100)	6 600 200	8 088 891	1 488 691	1 488 691	123 %	120 %	1 327 666	-	(1 327 666)	9 398 045
Vote 4 - Budget & Treasury	11 838 375	5 438 498	17 276 873	13 138 012	-	(4 138 861)	76 %	111 %	-	-	-	11 922 388
Vote 5 - Planning & Development	1 324 400	(336 000)	988 400	414 429	-	(573 971)	42 %	31 %	-	-	-	334 678
Vote 6 - Community & Social Services	1 618 900	(5 500)	1 613 400	1 275 695	-	(337 705)	79 %	79 %	-	-	-	1 189 675
Vote 7 - Sport & Recreation	606 000	30 750	636 750	220 374	-	(416 376)	35 %	36 %	-	-	-	169 662
Vote 8 - Housing	207 400	-	207 400	227 328	19 928	19 928	110 %	110 %	15 753	-	(15 753)	209 193
Vote 9 - Public Safety	33 783 500	(2 327 900)	31 455 600	30 703 009	-	(752 591)	98 %	91 %	-	-	-	32 104 829
Vote 10 - Road Transport	11 912 600	896 000	12 808 600	11 408 462	-	(1 400 138)	89 %	96 %	-	-	-	9 696 589
Vote 11 - Waste Management	1 625 400	5 100	1 630 500	1 440 354	-	(190 146)	88 %	89 %	123 544	-	(123 544)	1 552 327
Vote 12 - Waste Water Management	2 513 000	147 600	2 660 600	2 599 926	-	(60 674)	98 %	103 %	-	-	-	2 072 658
Vote 13 - Water	2 932 500	505 000	3 437 500	3 908 375	482 875	470 875	114 %	133 %	934 837	-	(934 837)	4 548 494
Vote 14 - Electricity	9 270 000	642 000	9 912 000	10 825 612	913 612	913 612	109 %	117 %	359 730	-	(359 730)	8 683 465
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	94 052 375	3 347 148	97 399 523	91 292 481	2 905 106	(6 107 042)	94 %	97 %	2 761 530	-	(2 761 530)	90 044 597
Surplus/(Deficit) for the year	577 325	2 467 972	3 045 297	(2 397 829)		(5 443 126)	(79)%	(415)%				8 327 129

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

	2020/2019						2019/2018					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	4 272 800	(156 880)	4 115 920	4 173 684		57 764	101 %	98 %				3 910 433
Service charges - electricity revenue	15 054 800	(200 000)	14 854 800	13 418 704		(1 436 096)	90 %	89 %				11 853 881
Service charges - water revenue	2 742 500	(300 000)	2 442 500	2 222 537		(219 963)	91 %	81 %				1 996 282
Service charges - sanitation revenue	1 679 700	130 000	1 809 700	1 763 935		(45 765)	97 %	105 %				1 804 591
Service charges - refuse revenue	1 466 800	70 000	1 536 800	1 430 550		(106 250)	93 %	98 %				1 484 459
Service charges - other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	709 400	745 500	1 454 900	1 482 438		27 538	102 %	209 %				1 353 396
Interest earned - external investments	810 700	30 000	840 700	516 981		(323 719)	61 %	64 %				785 221
Interest earned - outstanding debtors	422 900	209 000	631 900	479 933		(151 967)	76 %	113 %				304 550
Dividends received	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	31 774 600	(2 038 400)	29 736 200	30 177 348		441 148	101 %	95 %				33 342 121
Licences and permits	1 066 600	(192 000)	874 600	513 151		(361 449)	59 %	48 %				226 195
Agency services	121 800	35 000	156 800	132 227		(24 573)	84 %	109 %				150 848
Transfers and subsidies	22 281 200	5 283 896	27 565 096	25 278 251		(2 286 845)	92 %	113 %				21 279 980
Other revenue	171 500	110 700	282 200	2 102 213		1 820 013	745 %	1 226 %				468 132
Gains on disposal of PPE	-	-	-	54 636		54 636	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	82 575 300	3 726 816	86 302 116	83 746 588		(2 555 528)	97 %	101 %				78 960 089

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

2020/2019

2019/2018

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	26 868 700	38 430	26 907 130	25 549 508	-	(1 357 622)	95 %	95 %	-	-	-	22 927 507
Remuneration of councillors	3 128 300	-	3 128 300	3 129 152	852	852	100 %	100 %	-	-	-	3 032 246
Debt impairment	26 442 400	(1 050 800)	25 391 600	27 297 292	1 905 692	1 905 692	108 %	103 %	-	-	-	25 588 772
Depreciation & asset impairment	9 732 375	67 960	9 800 335	5 951 306	-	(3 849 029)	61 %	61 %	-	-	-	6 190 632
Finance charges	6 700	-	6 700	2 356 772	2 350 072	2 350 072	35 176 %	35 176 %	-	-	-	2 069 626
Bulk purchases	7 923 300	460 000	8 383 300	9 888 165	1 504 865	1 504 865	118 %	125 %	-	-	-	7 872 282
Other materials	2 094 200	(99 160)	1 995 040	2 085 943	90 903	90 903	105 %	100 %	-	-	-	2 266 844
Contracted services	5 479 200	2 058 528	7 537 728	5 445 073	-	(2 092 655)	72 %	99 %	-	-	-	8 790 607
Transfers and subsidies	336 500	(68 200)	268 300	455 034	186 734	186 734	170 %	135 %	-	-	-	842 493
Other expenditure	12 040 700	1 940 390	13 981 090	9 126 158	-	(4 854 932)	65 %	76 %	-	-	-	10 390 221
Loss on disposal of PPE	-	-	-	8 079	8 079	8 079	DIV/0 %	DIV/0 %	-	-	-	73 370
Total Expenditure	94 052 375	3 347 148	97 399 523	91 292 482	6 047 197	(6 107 041)	94 %	97 %	-	-	-	90 044 600
Surplus/(Deficit)	(11 477 075)	379 668	(11 097 407)	(7 545 894)	(6 047 197)	3 551 513	68 %	66 %				(11 084 511)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	12 054 400	2 088 304	14 142 704	5 148 064		(8 994 640)	36 %	43 %				19 411 638
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - capital (in- kind - all)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	577 325	2 467 972	3 045 297	(2 397 830)		(5 443 127)	(79)%	(415)%				8 327 127
Taxation	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	577 325	2 467 972	3 045 297	(2 397 830)		(5 443 127)	(79)%	(415)%				8 327 127
Attributable to minorities	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	577 325	2 467 972	3 045 297	(2 397 830)		(5 443 127)	(79)%	(415)%				8 327 127
Share of surplus/ (deficit) of associate	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	577 325	2 467 972	3 045 297	(2 397 830)		(5 443 127)	(79)%	(415)%				8 327 127

Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2020

	2020/2019						2019/2018					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Mayor & Council	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	-	-	-	129 800	129 800	129 800	DIV/0 %	DIV/0 %	-	-	-	-
Vote 4 - Budget & Treasury	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Planning & Development	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 6 - Community & Social Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 7 - Sport & Recreation	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 8 - Housing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 9 - Public Safety	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 10 - Road Transport	2 045 000	(2 045 000)	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 11 - Waste Management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Waste Water Management	-	-	-	1 864 071	1 864 071	1 864 071	DIV/0 %	DIV/0 %	-	-	-	571 620
Vote 13 - Water	2 112 196	5 337 058	7 449 254	435 250	-	(7 014 004)	6 %	21 %	-	-	-	18 968 832
Vote 14 - Electricity	2 372 000	2 000 000	4 372 000	1 263 953	-	(3 108 047)	29 %	53 %	-	-	-	8 146 477
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	6 529 196	5 292 058	11 821 254	3 693 074	1 993 871	(8 128 180)	31 %	57 %	-	-	-	27 686 929
Single-year expenditure												
Vote 1 - Mayor & Council	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	2 079
Vote 2 - Municipal Manager	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	54 352
Vote 4 - Budget & Treasury	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Planning & Development	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 6 - Community & Social Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 7 - Sport & Recreation	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	7 424
Vote 8 - Housing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 9 - Public Safety	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1 001
Vote 10 - Road Transport	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	95 335
Vote 11 - Waste Management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Waste Water Management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Water	3 500 000	(1 000 000)	2 500 000	617 381	-	(1 882 619)	25 %	18 %	-	-	-	-
Vote 14 - Electricity	2 203 754	(2 203 754)	-	1 739 130	1 739 130	1 739 130	DIV/0 %	79 %	-	-	-	-
	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	5 703 754	(3 203 754)	2 500 000	2 356 511	1 739 130	(143 489)	94 %	41 %	-	-	-	27 686 929
Total Capital Expenditure - Vote	12 232 950	2 088 304	14 321 254	6 049 585	3 733 001	(8 271 669)	42 %	49 %	-	-	-	55 373 858

Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2020

	2020/2019					2019/2018						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2020

	2020/2019					2019		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities								
Receipts								
Property rates	3 845 520	64 604	3 910 124	3 548 696	(361 428)	91 %	92 %	5 073 483
Service charges	19 696 293	119 362	19 815 655	17 488 467	(2 327 188)	88 %	89 %	27 692 850
Other revenue	8 262 984	229 026	8 492 010	7 288 118	(1 203 892)	86 %	88 %	-
Government - operating	22 612 250	4 952 846	27 565 096	30 894 469	3 329 373	112 %	137 %	34 400 267
Government - capital	11 723 350	2 419 354	14 142 704	9 064 000	(5 078 704)	64 %	77 %	-
Interest	1 195 272	311 021	1 506 293	598 921	(907 372)	40 %	50 %	785 221
Dividends	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Suppliers and employees	(56 185 230)	(3 902 656)	(60 087 886)	(55 528 829)	4 559 057	92 %	99 %	(56 866 223)
Finance charges	(6 700)	-	(6 700)	(89 432)	(82 732)	1 335 %	1 335 %	(85 523)
Transfers and Grants	(740 200)	471 900	(268 300)	(455 033)	(186 733)	170 %	61 %	(842 493)
Net cash flow from/used operating activities	10 403 539	4 665 457	15 068 996	12 809 377	(2 259 619)	85 %	123 %	10 157 582
Cash flow from investing activities								
Receipts								
Proceeds on disposal of PPE	-	-	-	54 636	54 636	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	DIV/0 %	DIV/0 %	1 708
Decrease (increase) in non-current investments	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Capital assets	(11 976 198)	(2 222 120)	(14 198 318)	(7 347 571)	6 850 747	52 %	61 %	(13 787 972)
Net cash flow from/used investing activities	(11 976 198)	(2 222 120)	(14 198 318)	(7 292 935)	6 905 383	51 %	61 %	(13 786 264)
Cash flow from financing activities								
Receipts								
Short term loans	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	34 446	12 735	47 181	40 804	(6 377)	86 %	118 %	76 969
Payments								
Repayment of borrowing	(16 972)	16 972	-	(16 973)	(16 973)	DIV/0 %	100 %	(66 588)
Net cash flow from/used financing activities	17 474	29 707	47 181	23 831	(23 350)	51 %	136 %	10 381
Net increase/(decrease) in cash held	(1 555 185)	2 473 044	917 859	5 540 273	4 622 414	604 %	(356)%	(3 618 301)
Cash/cash equivalents at the year begin:								10 169 928
Cash/cash equivalents at the year end:	(1 555 185)	2 473 044	917 859	5 540 273	4 622 414	604 %	(356)%	